



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Richland

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

Published September 19, 2022

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

September 19, 2022

Mayor and City Council
City of Richland
Richland, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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 programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG - Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.218	COVID-19 – CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
21.027	COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

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

Mayor and City Council
City of Richland
Richland, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Richland, as of and for the year ended December 31, 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 August 25, 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

August 25, 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 Richland
January 1, 2021 through December 31, 2021

Mayor and City Council
City of Richland
Richland, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Richland, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 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 Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;

- Obtain an understanding of the City’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our 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.

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

Pat McCarthy, State Auditor

Olympia, WA

September 12, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Richland
Richland, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Richland, as of 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 discretely presented component units and remaining fund information of the City of Richland, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 13 to the 2021 financial statements, as a result of the COVID-19 pandemic, the City budgets conservatively and maintains appropriate reserves to help mitigate economic fluctuations and unforeseen events. There are no known material financial or operational impacts to the City as a result of the COVID-19 pandemic. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. The City has remained economically stable and continues to adapt to the changing conditions. The length of time these measures will continue to be in place, and the full extent of the financial impact on the City is unknown at this time. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the 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. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements*,

Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 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

August 25, 2022

FINANCIAL SECTION

City of Richland 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

Balance Sheet – Governmental Funds – 2021

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

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

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

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– General Fund – 2021

Statement of Net Position – Proprietary Funds – 2021

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

Statement of Cash Flows – Proprietary Funds – 2021

Statement of Fiduciary Net Position – Custodial Funds – 2021

Statement of Changes in Fiduciary Net Position – Custodial Funds – 2021

Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios Post Employment
Healthcare Plan – 2021

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

Schedule of Changes in Total Pension Liability and Related Ratios – Fire and Police
OPEB – 2021

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,
LEOFF 2 – 2021

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021

Notes to the Schedule of Expenditures of Federal Awards – 2021

INTRODUCTION

The management of the City of Richland is pleased to present this discussion and analysis of the 2021 Annual Comprehensive Financial Report. The intent is to introduce the reader to the City's operations, explain how they are presented in this report, highlight significant financial activities during the period and provide a look at what is anticipated in the future for the City. This discussion and analysis should be considered in conjunction with the Letter of Transmittal as well as the other components of the report.

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

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

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

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



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

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



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

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

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

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

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

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

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

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

Government-Wide Financial Statements present the City's overall financial position as of December 31, 2021, and the activities that resulted in that position. It further provides the financial position and activities of the component unit. The financial position is found in the Statement of Net Position, while the activities resulting in the ending financial position are found in the Statement of Activities. Governmental and business-type activities are aggregated in their own respective columns.

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

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

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

This discussion and analysis provide information on the amounts and activities presented in the summarized Government-Wide Statements, compared to the prior year, as well as significant events and transactions that impacted the City's financial activity during 2021.

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

Condensed Statement of Net Position

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2021	2020	2021	2020	2021	2020
Current & other assets	\$ 155,074,033	\$ 120,594,371	\$ 74,279,311	\$ 59,480,239	\$ 229,353,344	\$ 180,074,610
Restricted assets			49,371,123	33,753,727	49,371,123	33,753,727
Capital assets, net	202,979,195	192,320,464	316,489,530	310,966,261	519,468,725	503,286,725
Total assets	358,053,228	312,914,835	440,139,964	404,200,227	798,193,192	717,115,062
Deferred outflows of resources	4,206,124	4,522,684	2,576,164	2,809,529	6,782,288	7,332,213
Current liabilities	14,127,131	15,262,424	20,598,924	19,078,157	34,726,055	34,340,581
Long-term liabilities outstanding	65,296,621	69,813,241	120,761,627	123,093,843	186,058,248	192,907,084
Total liabilities	79,423,752	85,075,665	141,360,551	142,172,000	220,784,303	227,247,665
Deferred inflows of resources	27,785,526	6,196,441	14,891,806	2,149,627	42,677,332	8,346,068
Net Position:						
Net investment in capital assets	166,048,664	152,919,749	209,892,995	203,775,917	375,941,659	356,695,666
Restricted	47,456,434	39,211,657	28,163,288	23,139,958	75,619,722	62,351,615
Unrestricted	41,544,977	34,034,006	48,407,488	35,772,255	89,952,465	69,806,261
Total net position	\$ 255,050,075	\$ 226,165,412	\$ 286,463,771	\$ 262,688,130	\$ 541,513,846	\$ 488,853,542

Amounts may not foot exactly due to rounding



City of Richland, Washington
Annual Comprehensive Financial Report
Management's Discussion and Analysis
For the Year Ended December 31, 2021

Condensed Statement of Activities

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2021	2020	2021	2020	2021	2020
REVENUES:						
Program Revenues:						
Charges for services	\$ 22,145,106	\$ 20,910,599	\$ 127,350,143	\$ 120,241,343	\$ 149,495,249	\$ 141,151,942
Operating grants & contributions	2,543,280	4,478,358	1,316,500	1,160,728	3,859,779	5,639,086
Capital grants & contributions	7,394,837	8,762,071	5,554,974	5,921,686	12,949,810	14,683,757
General Revenues:						
Property taxes	20,167,579	19,278,175			20,167,579	19,278,175
Other taxes	45,711,694	38,197,177			45,711,694	38,197,177
Other	1,463,007	3,702,709	(487,885)	1,345,778	975,122	5,048,487
Total revenues	99,425,502	95,329,089	133,733,731	128,669,535	233,159,234	223,998,624
EXPENSES:						
Judicial	661,551	675,038			661,551	675,038
General government	13,652,099	16,312,011			13,652,099	16,312,011
Public safety	29,806,690	16,625,315			29,806,690	16,625,315
Transportation	10,403,708	7,313,605			10,403,708	7,313,605
Health & human services	17,471	16,285			17,471	16,285
Economic environment	6,459,960	5,940,607			6,459,960	5,940,607
Culture & recreation	7,238,877	8,305,056			7,238,877	8,305,056
Interest on long-term debt	1,447,430	1,497,678			1,447,430	1,497,678
Electric			68,841,236	70,718,528	68,841,236	70,718,528
Water			12,965,380	12,540,030	12,965,380	12,540,030
Wastewater			9,357,585	8,826,423	9,357,585	8,826,423
Solid waste			10,343,972	9,743,184	10,343,972	9,743,184
Stormwater			1,756,865	1,719,618	1,756,865	1,719,618
Golf course			2,014,493	1,709,015	2,014,493	1,709,015
Medical services			5,206,762	4,715,737	5,206,762	4,715,737
Broadband			265,445	251,078	265,445	251,078
Total expenses	69,687,787	56,685,595	110,751,737	110,223,613	180,439,524	166,909,208
Excess/(deficiency) before transfers	29,737,715	38,643,494	22,981,994	18,445,922	52,719,709	57,089,416
Transfers	(853,048)	(1,632,088)	853,048	1,632,088		
Change in net position	28,884,667	37,011,406	23,835,042	20,078,010	52,719,709	57,089,416
Net position, January 1	226,165,407	189,738,309	262,688,130	242,610,120	488,853,537	432,348,429
Prior period adjustments	0	(584,308)	(59,401)	0	(59,401)	(584,308)
Net position, December 31	\$ 255,050,075	\$ 226,165,407	\$ 286,463,771	\$ 262,688,130	\$ 541,453,846	\$ 488,853,537

Amounts may not foot exactly due to rounding

FINANCIAL RESULTS

Government-Wide Activities

Overall, the City's 2021 activities resulted in a \$52.4 million increase in net position before applying prior period adjustments. Adjustments to beginning net position reflecting prior period activity resulted in a decrease of \$59,401 and did not have a significant effect on a total increase in net position. A discussion of these adjustments can be found under the heading "Prior Period Adjustments" in Note 1 to the Financial Statements. By comparison, net position increased \$57.1 million in 2020 before prior period adjustments. The continued growth from one year to the next reflects the City's long-term approach to the economic environment within which the City operates. Of the total net position at December 31, 2021, \$89.7 million is unrestricted and available to finance future activities. Looking deeper into the Government-Wide Statements, governmental activities' net position increased \$28.6 million, while net position increased \$23.8 million as a result of business-type activities.

Total revenues on the Government-Wide Statement of Activities were \$9.2 million higher than the prior year, indicating the City's recovery from the COVID-19 pandemic. Governmental revenues were \$4.1 million higher than the prior year, while business-type activity revenues were \$5.1 million higher. In the Business-type activities the largest variance was a \$7.1 million increase in charges for services. A more in-depth discussion of major business-type funds occurs later in this discussion and analysis.



Governmental activities' charges for services increased \$1.2 million over the previous year. Of this increase, \$575,000 came from a new annual operations service fee paid by Battelle Memorial Institute for fire suppression and emergency medical services as part of the agreement for improved emergency response services at the Pacific Northwest National Laboratory. Re-opening of the City's recreational facilities resulted in \$124,182 increase in cultural and recreation programs revenues, including library fees, swimming pool fees, facilities rentals, and fitness classes. Cost allocation charges make up the rest of the increase with minor increases and decreases in other charges for services.

*...the City's 2021
activities resulted in a
\$52.4 million increase in
net position ...*

Governmental activities' operating grants and contributions decreased \$1.9 million from the prior year, mainly due to a reduction in recognized COVID-19 assistance revenues.

Governmental activities' capital grants and contributions decreased \$1.4 million from the prior year. Capital grants typically fluctuate depending upon the projects that are being pursued. Transportation grants and contributions for street construction projects account for nearly \$1.9 million of this decrease, mainly due to the Duportail Bridge completion.



In the general revenues section of the Statement of Activities, total tax revenues increased by net \$8.4 million over the prior year. New construction remained steady, resulting in an increased tax base and a \$889,404 increase in property tax revenues. Sales tax revenue continued its upward trend, posting a \$3.8 million increase due to increases in sales activity. Utility taxes collected increased \$346,211 over the prior year, mainly due to increases from the City's electric, water and solid waste utilities, and from taxes received from telephone companies. Real Estate Excise Tax increased \$1.8 million, buoyed by another year of continued gains in the local real estate market. Minor increases and decreases in other taxes occurred, rounding out the rest of the increase in tax revenues.

Other general revenues include investment earnings, gains on disposition of assets, and other miscellaneous revenues. Investment earnings decreased by nearly \$3.0 million with most of the cash available held in LGIP and related interest rates declining significantly throughout 2021. Gain on sale of capital land and land held for resale in 2021 was \$504,268 higher than the prior year. This revenue is highly variable depending on the interest of potential buyers in acquiring land primarily in the City's industrial area. The City did not have any miscellaneous revenues in the general revenues in 2021, resulting in \$1.3 million decrease from 2020 to 2021. In prior years, miscellaneous revenues consisted primarily of infrastructure contributed to the City by developers.

In Governmental expenses, salaries and benefits are the most significant expense, aside from wholesale power purchases. On the City-wide Statement of Activities, Governmental-type activity expenses were lower from the prior year, showing a \$13.0 million decrease, while business-type activity expenses decreased \$528,124. Looking at the Governmental activities' expenses change by functional category, we noted the following large variance in comparison with the prior year: Public safety expenses increased by approximately \$13.2 million. While public safety ongoing expenses remained comparable year over year, there was a \$14.4 million adjustment to public safety expenses in 2020 to eliminate expenditures related to pension liabilities incurred in prior years. This large decrease in the OPEB liability for fire and police pensions was a result of actuaries discovering medical costs inappropriately included long-term care costs and lower than expected claims costs due to COVID-19.

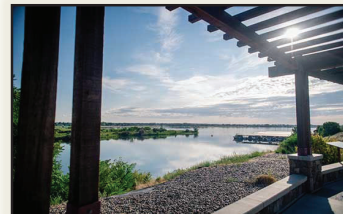
In business-type activities, electric utility expenses decreased \$1.9 million; while water utility expenses increased \$425,350; sewer utility expenses increased \$531,162; solid waste utility expenses increased \$600,788; stormwater expenses increased \$37,247; golf course expenses increased \$305,478; and medical services utility expenses increased \$491,025. More detail on activities of the major business-type funds is presented later in this discussion and analysis.

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

Governmental Activities

Governmental activities account for \$255.1 million in total net position at year end, a \$28.9 million increase over the prior year. The unrestricted portion of ending net position was \$41.5 million. The primary contributors to governmental activities' total net position are usually capital and debt-financed capital activities, as well as operating activities found in the City's General Fund.

Capital and Debt-Financed Capital: Governmental activities' net investment in capital assets increased \$13.1 million in 2021. This balance reflects not only capital purchases, but also the effect of depreciation expense and changes to general obligation debt, which financed past and current capital outlays. Of the \$217.4 million in total city liabilities, \$38.5 million or 17.7% is governmental activities' general obligation debt (i.e. payable on the full faith and credit of the City) related to capital activities. \$7.3 million in general obligation debt is voter approved and supported by a special property tax levy, while the remaining \$31.2 million is non-voted or "Councilmanic" debt.



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

Improvements to the City's parks and transportation infrastructure continue to remain a high ongoing priority for the City. City facilities have also risen in priority in the last few years, especially as the population increases and the City's borders continue to expand. The following were some of the major governmental capital outlays for fiscal year 2021. For more information on capital assets see Note 3 in the Notes to the Financial Statements.

- The City anticipated the need for additional fire stations to meet current and future demands as our population grows and spreads towards our borders. To prepare for this need, construction of Public Safety Response Stations 73 and 75 began in 2020 with design and groundwork completed. The City spent a total of \$7.6 million on both stations through 2021 and completed the project on time and under budget.
- The City continues to improve the area's waterfront access by introducing dedicated bicycle and pedestrian features to the current street that lacks them. The City spent a total of \$3.8 million on Columbia Park Trail Improvements – East project to reconstruct the street surface, sidewalks, and bike lanes.
- Additional streets capital construction includes \$1.5 million on First Street extension past Kingsgate, \$774,125 on Van Giesen and Thayer intersection improvements, and \$380,280 on Clubhouse Lane extension.

Major Governmental Funds

General Fund activity resulted in a fund balance increase of \$8.5 million in 2021. In comparison, 2020 General Fund activities resulted in a \$5.9 million increase. Revenues increased by \$3.2 million or 5.2%, while expenditures increased by only \$684,619 or 1.3%. In addition to revenues and expenditures, the General Fund receives transfers from other funds, and also transfers money out to other funds. Interfund transfers into the General fund increased by \$279,380 in 2021 versus the prior year, while transfers out from the General fund to other City funds increased by \$219,221.

Tax revenues are the primary revenue source for the General Fund. Property taxes increased by \$767,004 mainly due to new residential and commercial construction in Richland. Sales taxes were strong and increased by \$3.0 million, reaching a new record high. Utility taxes increase by \$367,386 and charges for services increased by \$684,736, mainly related to a new annual operations service fee and cost allocation charges to City departments outside the General Fund offset by various other smaller increases and decreases.

General Fund operating expenditures on the 2021 Statement of Revenues, Expenditures and Changes in Net Position were \$684,619 higher than the prior year. The increase mainly occurred in culture and recreation, general government, and public safety expenditures.



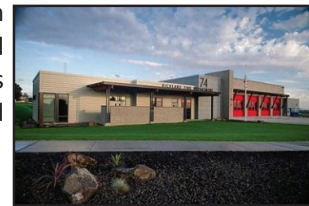
With the many challenges facing the City's primary operating fund, great care is taken to monitor its activities relative to the annual budget approved by the City Council. As described in Note 1 in the Notes to the Financial Statements, this fund is budgeted in accordance with Washington State law and City policies, such that revisions to the budget are carefully administered. A Schedule of Revenues, Expenditures and Changes in Net Position "Budget and Actual" is provided within the Annual Comprehensive Financial Report, to present comparisons between actual revenues and expenditures, and the original and amended final budgets. Overall, revenues and expenditures were 108.2% and 81.3% of their respective adjusted budgets. The largest budget-actual dollar variance in revenues was in taxes, at \$7.36 million more than the adjusted budget, a 17% variance. The next largest budget-actual dollar variance in revenues was intergovernmental, at \$2.06 million less than budget, a 46% variance, mostly due delayed recognition

of federal COVID-19 (ARPA) funds as revenue until the City expends proceeds on a future capital project.

The largest budget-actual dollar variance in expenditures, by function, was in general government operating expenditures, which came in \$5.15 million below the adjusted budget. This was primarily due to budgeted expenditures for the ERP project in the Information Technology department (\$3.0 million) and in salary savings from vacant positions in various departments. Most of the IT division amounts not spent in the current year are carried over to the subsequent year to continue this project. Other less significant general governmental budget variances occurred throughout the remaining divisions. Public safety capital outlay came in \$2.6 million below budget. This was due to projects that were budgeted but not completed during the year including \$2.0 million in budgeted contributions toward a regional animal control shelter still in the design phase.

The following are the more significant adjustments made to the General fund original budget in 2021:

- \$235,259 was appropriated to utilize assistance received from Washington State to purchase body-worn cameras, dashboard cameras, interview room cameras and other one-time costs associated with recent law enforcement and criminal justice-related legislation.
- \$240,000 was appropriated to provide additional funds needed for the Fire Station 73/75 capital project to cover unanticipated expenses including COVID-19 impacts.
- \$2,000,000 was appropriated to utilize federal American Recovery Plan Act (ARPA) funds for utility and business assistance.
- Budget carryovers for prior year uncompleted projects and encumbrances totaled \$3,068,286.



Streets Construction Fund activities resulted in a fund balance increase of \$1.5 million in 2021. By comparison, 2020 activities resulted in an \$0.9 million increase in fund balance. Revenues decreased by \$2.7 million or 31%, while expenditures decreased by \$2.2 million or 16%. Other financing sources increased \$1.1 million or 18%.

Intergovernmental revenues, generally grants, are the primary revenue source for the Streets Construction Fund, as most projects in this capital project fund are grant-reimbursable. Grants represent nearly \$2.9 million of the decrease in revenues over the prior year.

The largest project accounted for in the Streets Construction Fund in 2021 was Columbia Park Trail improvements - East. Capital expenditures on the project were \$3.8 million or 33% of all 2021 expenses in the fund. The project reconstructed the street surface to provide three lanes with curb, gutter, sidewalks, bike lanes, streetlights, storm drainage facilities and streetscape. The project also made improvements to the Wye Park parking lot and street frontage and was completed in 2021 in partnership with the Port of Kennewick. Next largest project expenditures were for the ongoing Pavement Preservation program with 2021 expenditures totaling \$2.1 million or 18% of all expenses in the fund.

Business-Type Activities

Business-type activities resulted in an ending net position of \$286.5 million, reflecting an increase of \$23.8 million. Unrestricted net position increased by \$12.6 million to provide a total of \$48.4 million in available resources to finance future activities of the business-type funds. The primary contributors to business-type net position are activities found in the City's four major business-type funds: The Electric, Water, Sewer and Solid Waste Funds, which comprise 83% of the total business-type net position.

Electric Fund activities increased ending net position by \$9.5 million or 15.3% above the previous year-end balance. Annual debt repayment of \$3.1 million and depreciation of \$6.4 million were offset by the utility's \$10.9 million investment in capital. In response to forecasted growth in customer and consumption base, \$9.9 million in capital outlays was for projects that constructed, renewed and extended existing distribution infrastructure, as well as improved and expanded substation infrastructure. Capital outlay for equipment, machinery and software totaled over \$1.0 million.

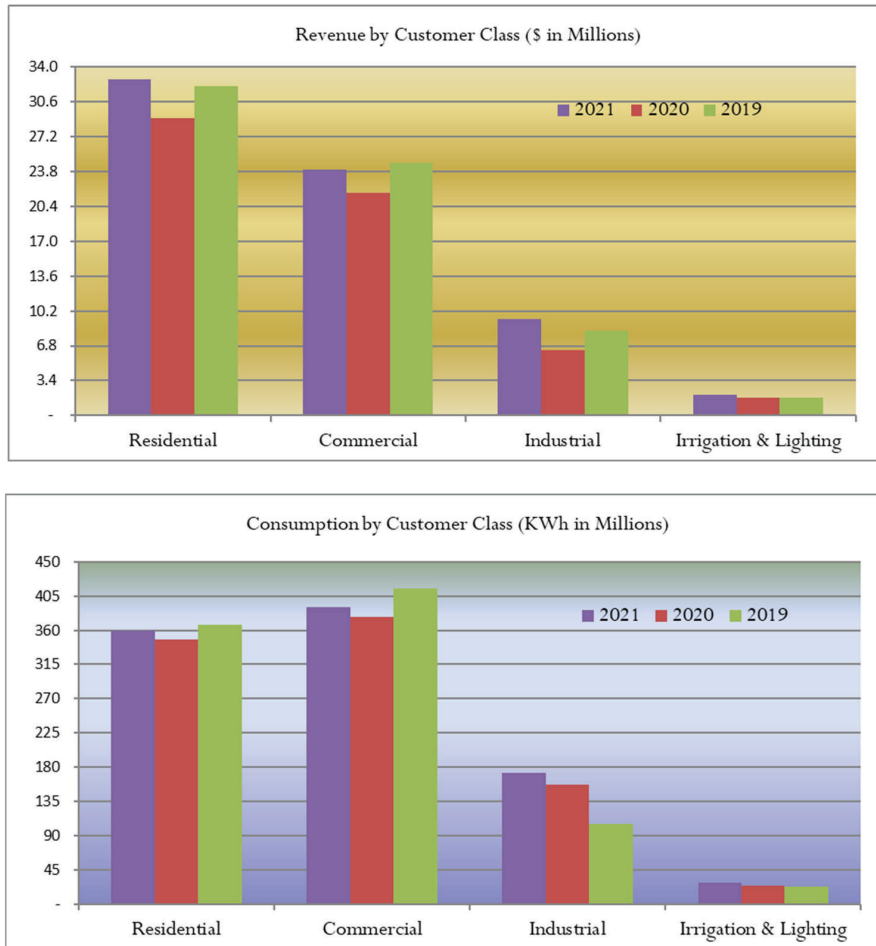
Operating revenue increased \$2.8 million or 3.9% due to inconsistencies in customer loads and weather patterns. The last system-wide rate increase went into effect on June 1, 2019 and due to BPA rate adjustments, there is no additional utility rate action planned until 2024.

System-wide energy consumption increased 5.0% and total customer accounts increased 1.7% in 2021. When looking at energy consumption changes by customer class, residential consumption increased by 3.4%, commercial consumption increased by 3.3% and industrial consumption increased 10.5%. The irrigation and lighting class increased by 16.6%.

Energy consumption is largely dependent on weather conditions, particularly for residential and commercial customers. The 2021 weather was typical for the area with extended summer periods with highs over 100 and winter low temperatures getting into single digits. June's weather spiked with a coincidental peak system demand set at 211MW. Trends of increasing commercial loads from economic development activity and decreasing residential energy consumption as a result of the City's energy conservation program investment are expected.

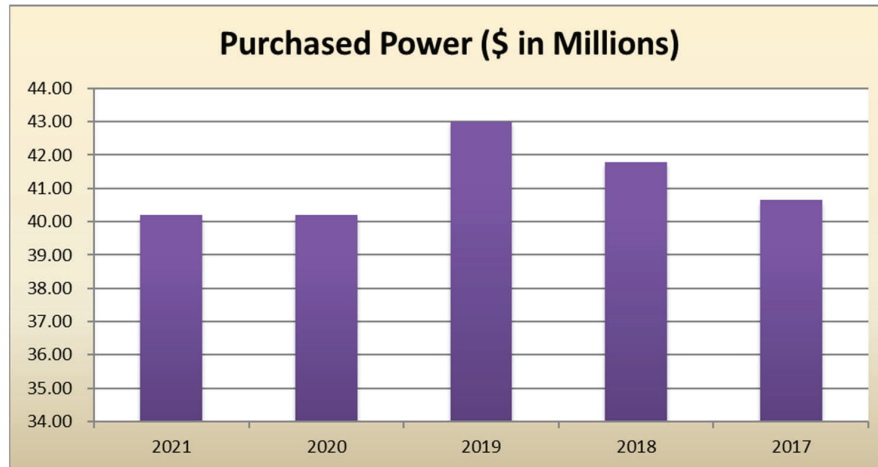
City of Richland, Washington
Annual Comprehensive Financial Report
Management's Discussion and Analysis
For the Year Ended December 31, 2021

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



Operating expenses decreased \$2.2 million or 3.3% under the prior year. With wholesale power cost nearly identical to 2020, the 2021 decrease can be primarily attributed to a \$2.0 million pension cost credit. The credit is the result of State retirement plan investment earnings creating a \$10.0 billion pension asset at the system level. In previous years, the State plans typically carried plan liabilities. Richland, in tandem with other regional utilities, is constantly evaluating alternatives for its future wholesale power supply. The utility is currently in the 3rd year of purchasing non-Federal power resources for new base power load and along with the base power load provide by BPA, the short-term purchased power outlook is stable. Operating expenses in total are continually being mitigated by cost containment measures taken during the budget development process.

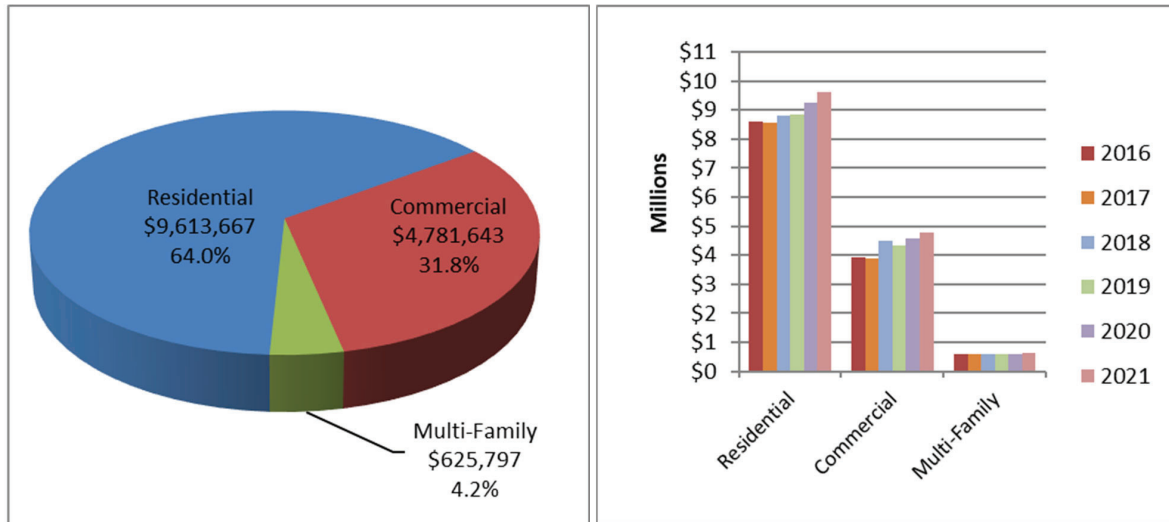
The following graph details purchased power expenses over the last five years:



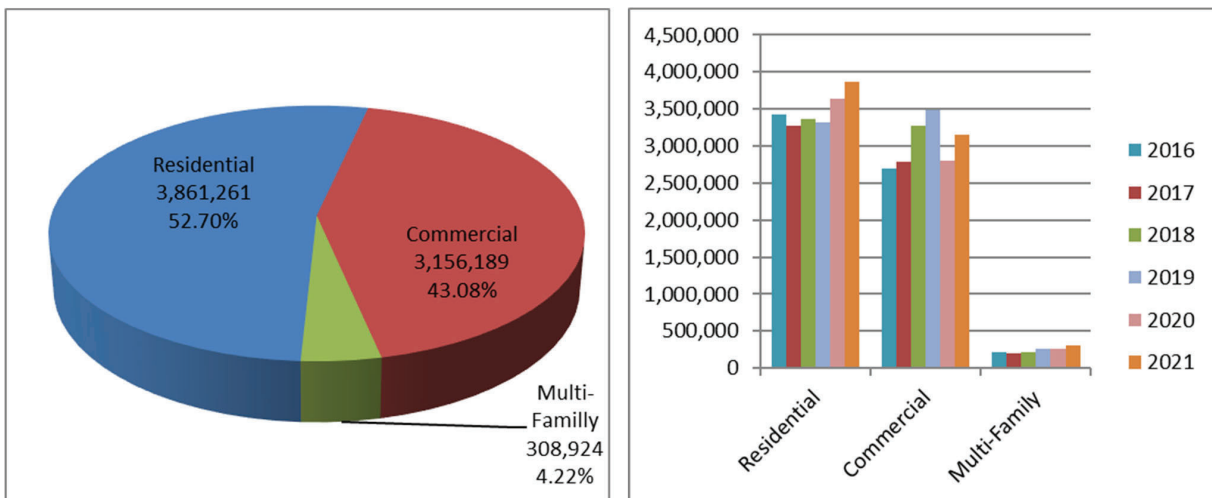
Standard & Poor's (S&P) changed the Electric Utility's credit rating on outstanding bonded debt from A+ to A with a Stable Outlook in 2019. The A rating was reaffirmed on the utility's \$6.4 million 2021 bond issue. The slight downgrade in 2019 reflects S&P's updated "U.S. Municipal Retail Electric and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

Water Fund activities generated a net position increase of \$6.1 million in 2021. Operating income was \$4.3 million in 2021; a \$177,866 increase over the prior year. Operating revenues increased \$674,291 and operating expenses increased \$496,425, when compared to 2020. Investment earnings dropped \$446,779 because of year-end fair market value adjustments, and interest expense decreased \$98,847. The utility recognized capital contributions of \$2.5 million in 2021. Twenty-three percent of these contributions were received from private sources, valued at \$558,572. This addition reflects the fair market value of capital improvements that were built and funded privately, and subsequently gifted to the City after the assets were placed in service. Donated capital is recognized when the development is completed and accepted by the City. The remaining capital contribution revenue is tied to new service requests that result in facilities fees charged to the owner, and to capital grants from the State. The facilities fee revenue for 2021 decreased from 2020 by \$217,299 or 16%. The utility transferred out \$20,000 in support of a multi-year cost sharing effort to install a fiber optic cable backbone. The fiber optic network carries the water utility's communication systems.

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



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



In 2021, Water fund operating expenses increased by \$496,425 when compared to 2020. Total Salaries and benefits decreased approximately 13.2% or \$330,850. This is primarily due to adjustments to annual pension expense accruals for the state PERS plans. Supplies costs were relatively flat from 2020 to 2021, with a slight increase of \$15,694. The cost of supplies is typically outside the control of the utility. Timing and fluctuation of chemical needs and maintenance supplies can have a volatile effect on expenses.

Other service expenditures are driven by events that require outside input for the utility. For example, outside consultants, repairs to equipment or payment for a license or permit. Oftentimes an event, like the failure of a piece of equipment, necessitates such expenditures. Total costs in this category increased by \$69,085 when compared to 2020, mostly due to utility costs. The water utility uses a significant amount of electrical power at the treatment plant and pumping stations throughout the City. For 2021, utilities expense for water operations increased \$94,312 over 2020.

Tax expense increased in 2021 by \$112,153 and there was a decrease of \$63,420 in the recognition of bad debt expense. While collections on customer billings were uncertain with the effects of COVID-19 in 2020, by the end of 2021 the City determined that a less drastic allowance for uncollectable accounts was appropriate.

Finally, depreciation expense increased in 2021 by \$265,248 over the previous year.

In 2021, the utility made the following significant investments in its capital infrastructure:

- Began installation of automated meter reading infrastructure on a test basis. The Utility expects to start installation on a larger scale in late 2022. The Utility spent \$471,009 in 2021 on this project.
- Completed improvements to the solids handling equipment in the water treatment plant, with 2021 costs of \$189,170.
- Completed replacement and modification of the inlet structure with new screens that comply with current environmental standards. More than ninety percent of current water supplies are withdrawn from the Columbia River intake facility at Snyder Street. Capital spending for this effort was \$1,042,196 in 2021.

The capital related debt of the water and sewer utilities comprise a large portion, \$24 million, or 24.4% of all revenue debt and 17.7% of all City long-term borrowing. The water utility debt equals \$15.7 million, or 11.6% of all City long-term borrowing. The debt of the water utility is comprised of bonded debt, Public Works Trust Fund Loans, and State Safe Drinking Water Revolving Fund loans. The Public Works Trust Fund and Safe Drinking Water Revolving Fund loans were issued at coveted, below-market interest rates.

The water utility is required by its bond covenants to maintain a bond reserve in lieu of bond insurance. The water utility has adhered to this requirement and restricted \$1.0 million in cash and investments on the utility's balance sheet. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in May 2017.

Sewer Fund activities generated a net position increase of \$1.8 million in 2021. Total operating income was \$551,914 in 2021, a decrease of \$604,271. This fluctuation was the result of flat growth in operating revenues coupled with an increase in operating expenses of \$544,122. Investment earnings, which also contribute to the non-operating decrease in net position, were \$282,898 less in 2021 as compared to 2020, due to year-end fair market value adjustments. Interest expense decreased by \$67,001 in 2021, compared to 2020.

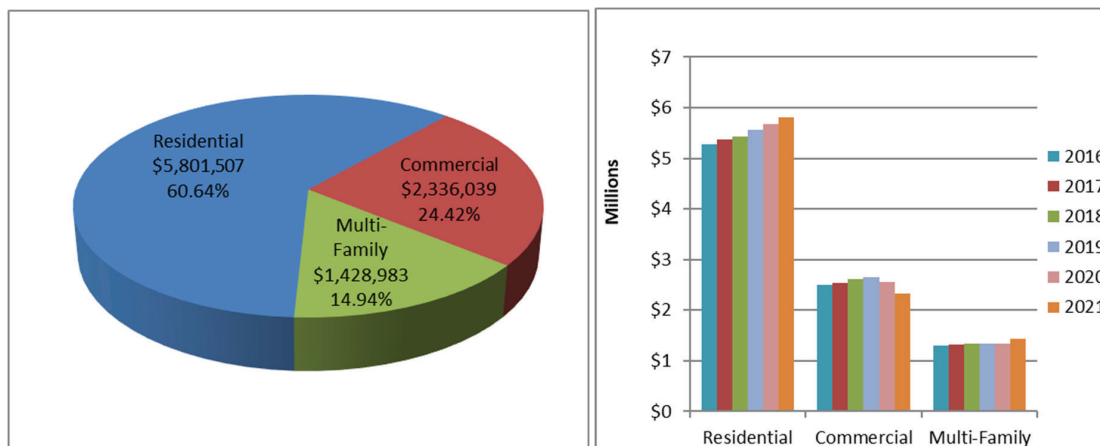
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In 2021, the utility recognized capital contributions of \$1.6 million. Of this addition, \$380,945 reflects the value of capital improvements that were built and funded by private development, and subsequently gifted to the City once placed in service. Donated capital is recognized as the development is completed and accepted by the City. The remaining capital contribution revenue, \$1,218,942, is tied to new utility service requests that result in facilities fees charged to the owner.

The utility transferred out \$5,000 in support of a multi-year cost sharing effort to install a fiber optic cable backbone. The fiber optic network supports the wastewater utility's communication system.

The Sewer utility's most recent rate change went into effect during 2010. Therefore, any increase in residential revenue is directly tied to customer growth. In 2021, residential revenue increased \$117,961, or 2.1%, over 2020 revenues. For the commercial and multifamily classes of service, water consumption is also a component in the calculation of the bill. Revenue from the multifamily class of customers increased \$84,232 over 2020, with a 6.26% increase, while the commercial class experienced a \$217,195, or 8.5% decrease.

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



In 2021, the operating expenses of the City's sewer utility increased \$544,122 when compared to 2020. Total Salaries were within \$5,000 of the prior year total, and benefits decreased approximately 55.2% or \$374,237. That decrease was almost entirely due to decreases in Pension expense, as a result of funding status in the Washington State PERS plans.

Other professional service expenditures are driven by events that require outside input for the utility. For example, outside consultants, repairs to equipment or payment for a license or permit. Oftentimes an event, like the failure of a piece of equipment, necessitates such expenditures. Total costs in this category increased by \$102,370 over the prior year. The wastewater utility uses a significant amount of electrical power, and in 2021 utility expenses increased \$115,849 when compared to 2020.

The largest increase in operating expenditures in 2021 was due to a one-time project to inspect and video the interior of the sewer line infrastructure. At a cost of \$958,728 in 2021, this work will inform utility staff on where best to concentrate maintenance efforts and any future infrastructure renewal and replacement projects.

In 2021, the Wastewater utility made several investments in its capital infrastructure:

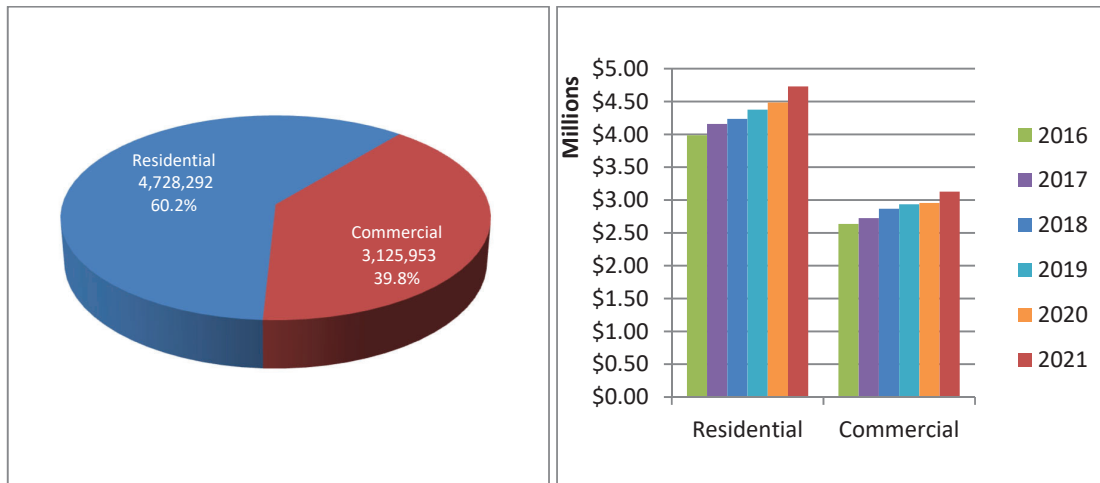
- Construction continues on various Collection System renewal and replacement projects. In 2021 the utility spent a modest \$18,668 on this type of work.
- The utility remains focused on improving its Wastewater Treatment Facility. The utility has planned annual improvements to eliminate downtime and ensure effective wastewater treatment. During 2021, the total spending on these capital improvements was over \$1.5 million.

The wastewater utility capital debt equals \$8.2 million, or 6.1% of all City long-term debt. The debt of the utility is comprised of bonded debt and an American Recovery and Reinvestment Act loan. The sewer utility has complied with bond covenant requirements and restricted \$587,392 in a bond reserve account. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in May 2017.

Solid Waste Fund activities generated a net position increase of \$912,894 in 2021. The utility reported an operating income of \$2.4 million in 2021, an improvement of \$731,803 over the previous year. This was mainly due to an increase in operating revenue of \$856,205 over the prior year. Residential and commercial collection revenue increased by \$414,386, or 5.6%, landfill disposal revenue increased by \$141,126, or 8.4%, and drop box revenues increased by \$310,971, or 21.3% when compared to 2020. Operating income was also influenced by operating expenses. Operating expenses grew by \$124,401 over the prior year. Non-operating expenses for 2021 totaled \$1.5 million, most of which is related to the annual change in estimates for closure/post closure care costs and changes in engineering calculations of the remaining volume in the current landfill cell.

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



Operating expenses increased \$334,928 when compared to 2020. Labor costs decreased \$360,312 or 12.7%. This was primarily due to a \$391,121 decrease as a result of state PERS pension valuation adjustments. Supplies costs increased \$21,774, mainly in the category of small equipment purchases. External services costs decreased \$85,956, mainly due to decreases in recycling processing fees and other expert services. Internal or cost-allocated service expense increased by \$605,334. Among the many types of allocated service expenses for the solid waste utility, the most significant fluctuations were increases in the costs tied to repair, maintenance and fuel costs for the utility's fleet of \$237,715 and accounting services increase of 207,645. As the utility continues to replace its aging fleet, repair costs should level out. Taxes increased \$110,280 as a result of improvements in revenue.

Net non-operating expenses increased in 2021 as compared to the previous year by \$336,946. The increase is driven mostly by a reduction to investment earnings as a result of year-end fair market value adjustments.

The long-term debt of the solid waste Fund includes a \$3.8 million Washington State Public Works Board loan and the estimated liability for landfill closure/postclosure care, in the amount of \$9.0 million. The combined total of this debt is the equivalent of 9.2% of all City long-term capital debt. The utility has no plans to issue any additional long-term debt in the coming year. The Solid Waste Fund is not usually classified as a major fund for financial statement reporting. However, in 2021 the liability for landfill closure/post closure increased dramatically as the City used up the remaining capacity in one cell and opened a new cell. Once closure activities on the old cell are completed in 2022-2023, the liability will drop to reflect just the amount for postclosure efforts, and eventual closure of the new cell.

ECONOMIC OUTLOOK

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

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the COVID-19 virus. While this declaration is still in effect, the most restrictive proclamations have been rescinded. The negative financial impacts to the City have been minimal.

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



Work on the Hanford nuclear cleanup north of Richland is ongoing, contributing to the employment stability of the area.

Richland continues to enjoy strong new construction activity, including retail centers, office, and multifamily development. The Queensgate area continues to be an area of strong growth with a retail/commercial focus. The City has ongoing construction of road and infrastructure improvements in the in the Horn Rapids area, which attracts commercial growth. The Badger Mountain South area is experiencing significant residential growth. In 2022, the City plans to construct a new fire station in this area, as well as a 30-acre park.

Home building remains strong throughout the region and Richland despite climbing home prices and rising interest rates. Richland's Local Revitalization Financing program continues to pay off, resulting in robust construction and expansion in the Horn Rapids Industrial Park. Richland will continue to recruit primary sector job growth, primarily focused in energy, technology, and food and agricultural processing, which in turn further diversifies the local economy from reliance on federal spending.

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
December 31, 2021

	Primary Government			Component Unit
	Governmental	Business-type		Richland Public
	Activities	Activities	Total	Facilities District
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 41,441,553	\$ 21,005,873	\$ 62,447,426	\$ 846,200
Deposits with third parties	520,585	11,575	532,160	-
Investments	45,532,163	23,686,201	69,218,364	-
Taxes receivable	4,871,868	-	4,871,868	113,925
Interest receivable	2,033	-	2,033	-
Customer accounts, net	1,770,658	11,761,205	13,531,863	43,330
Due from other governments	1,913,949	170,089	2,084,037	-
Notes and contracts	1,720,120	125,000	1,845,120	-
Internal balances	4,314,707	(4,314,707)	-	-
Prepaid items	297,651	294,357	592,008	8,411
Inventory	123,195	5,026,642	5,149,837	30,485
Special assessments	7,763	37,820	45,584	-
Total current assets	102,516,244	57,804,056	160,320,299	1,042,351
Noncurrent assets:				
Cash and cash equivalents	\$ -	\$ 14,256,255	\$ 14,256,255	\$ 483,470
Restricted investments	-	35,114,868	35,114,868	-
Investment in joint ventures	2,288,019	-	2,288,019	-
Land held for resale	14,872,368	-	14,872,368	-
Special assessments	11,744	152,004	163,748	-
Net pension asset	35,385,659	16,323,250	51,708,909	-
Land	8,001,359	8,823,153	16,824,512	-
Depreciable assets (net)	62,378,926	43,285,995	105,664,921	5,533,338
Infrastructure (net)	125,112,798	260,138,695	385,251,493	1,820,596
Construction in progress	7,486,112	4,241,688	11,727,800	-
Total noncurrent assets	255,536,985	382,335,908	637,872,893	-
Total assets	358,053,228	440,139,964	798,193,192	8,879,755
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - amount on debt refunding	\$ 222,243	\$ 618,901	\$ 841,144	\$ 34,027
Deferred outflow - pension	3,304,669	1,776,114	5,080,783	-
Deferred outflow - OPEB	679,212	181,149	860,361	-
Total deferred outflows of resources	4,206,124	2,576,164	6,782,288	34,027
Total assets and deferred outflows of resources	362,259,352	442,716,128	804,975,480	8,913,782

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Richland Public Facilities District
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 5,272,718	\$ 11,030,794	\$ 16,303,513	22,474
Payable to other governments	106,283	339,750	446,033	-
Deposits payable	10,011	732,445	742,456	3,522
Claims and judgments	2,984,819	-	2,984,819	-
Leases payable	-	250,157	250,157	-
Compensated absences	1,626,031	1,148,923	2,774,954	13,463
Notes and contracts payable	93,524	1,231,918	1,325,442	-
General obligation bonds payable	2,565,000	205,000	2,770,000	380,000
Revenue bonds payable	-	5,500,000	5,500,000	-
Total pension liability	320,762	-	320,762	-
Total OPEB liability	1,147,983	159,937	1,307,920	-
Total current liabilities	14,127,131	20,598,924	34,726,055	419,459
Noncurrent liabilities:				
Total pension liability	\$ 4,363,348	\$ -	\$ 4,363,348	\$ -
Leases payable	-	527,984	527,984	-
Compensated absences	1,992,046	1,148,925	3,140,971	-
Notes and contracts payable	339,506	6,871,473	7,210,979	-
General obligation bonds payable	39,558,767	4,843,611	44,402,378	3,141,164
Revenue bonds payable	-	94,116,394	94,116,394	-
Unearned revenue	3,418,419	1,222,804	4,641,223	30,903
Net pension liability	1,012,604	1,287,137	2,299,741	-
Total OPEB liability	14,611,931	1,736,914	16,348,845	-
Landfill closure liability	-	9,006,385	9,006,385	-
Total noncurrent liabilities	65,296,621	120,761,627	186,058,248	3,172,067
Total liabilities	79,423,752	141,360,551	220,784,303	3,591,526
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - transfer of service concession arrangement capital assets	\$ 2,688,500	\$ -	\$ 2,688,500	\$ -
Deferred inflow - pension	24,343,804	14,687,119	39,030,923	-
Deferred inflow - OPEB	747,911	199,471	947,382	-
Deferred inflow - amount on debt refunding	5,311	5,216	10,527	-
Total deferred inflows of resources	27,785,526	14,891,806	42,677,332	-
Total liabilities and deferred inflows of resources	107,209,278	156,252,357	263,461,635	-
NET POSITION				
Net investment in capital assets	\$ 166,048,664	\$ 209,892,995	\$ 375,941,659	\$ 3,866,797
Restricted for:				
Capital improvements	7,067,111	14,801,181	21,868,292	-
Debt service	1,193,142	8,989,699	10,182,841	697,900
Economic environment	20,701,739	-	20,701,739	-
Other purposes	1,367,016	-	1,367,016	-
Pensions	15,303,663	4,372,408	19,676,071	-
Public safety	1,801,625	-	1,801,625	-
Transportation	22,138	-	22,138	-
Unrestricted	41,544,976	48,407,488	89,952,464	757,560
Total net position	\$ 255,050,074	\$ 286,463,771	\$ 541,513,845	\$ 5,322,257

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	net (Expense) revenue and Changes in Net Position				Component Unit Richland Public Facilities District
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Primary Government Business-type Activities Total	
Primary government:					
Governmental activities:					
Judicial	\$ 661,551	\$ 452,849	\$ -	\$ (208,702)	\$ -
General government	13,652,099	9,075,843	360,866	(4,215,390)	(4,215,390)
Public safety	29,806,690	6,709,971	507,376	(21,912,402)	(21,912,402)
Transportation	10,403,708	1,055,422	18,576	(2,860,978)	(2,860,978)
Health and human services	17,471	8,658	462,611	453,798	453,798
Economic environment	6,459,960	3,933,683	1,193,851	(1,332,427)	(1,332,427)
Culture and recreation	7,238,877	908,681	249,164	(6,081,032)	(6,081,032)
Interest on long-term debt	1,447,430	-	-	(1,447,430)	(1,447,430)
Total governmental activities	69,687,787	22,145,106	2,543,280	(37,604,565)	(37,604,565)
Business-type activities:					
Electric Utility Fund	68,841,236	77,478,580	-	9,798,894	9,798,894
Water Utility Fund	12,965,380	16,906,486	-	6,420,778	6,420,778
Wastewater Utility Fund	9,357,585	9,717,026	-	1,959,328	1,959,328
Solid Waste Utility Fund	10,343,972	11,488,700	-	1,144,728	1,144,728
Stormwater Utility Fund	1,756,865	1,980,786	-	1,010,056	1,010,056
Golf Course Fund	2,014,493	2,218,517	-	337,906	337,906
Medical Services Fund	5,206,762	7,330,019	-	2,833,606	2,833,606
Broadband Fund	265,445	230,028	-	(35,417)	(35,417)
Total business-type activities	110,751,737	127,350,143	5,554,974	23,469,879	23,469,879
Total primary government	180,439,524	149,495,249	3,859,779	(14,134,685)	\$ -
Component units:					
Richland Public Facilities District	\$ 1,302,256	\$ 423,845	\$ 268,274	\$ -	\$ (610,137)
Total component units	1,302,256	-	268,274	-	(610,137)
General revenues:					
Property taxes				20,167,579	20,167,579
Sales taxes				20,863,564	20,863,564
Utility occupation taxes				13,855,423	13,855,423
Real estate excise tax				5,070,824	5,070,824
Motor fuel & multimodal transportation tax				1,217,547	1,217,547
Hotel/motel lodging tax				1,197,124	1,197,124
Other taxes				3,507,213	3,507,213
Investment earnings				(522,903)	(750,582)
Gain on disposition of capital assets				(3,702)	5,635
Gain on disposition of land held for sale				1,690,686	-
Insurance recoveries				38,720	-
Transfers				853,048	-
Total general revenues, special items, and transfers				66,854,394	837,058
Change in net position				23,835,042	52,719,709
Net position- beginning				262,688,130	488,853,538
Prior period adjustment				(59,401)	5,095,336
Net position - ending				\$ 286,463,771	\$ 541,513,846
				\$ 255,050,075	\$ 5,322,257

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

City of Richland, Washington
Annual Comprehensive Financial Report
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,155,323	\$ 3,104,317	\$ 17,995,242	\$ 33,254,882
Deposits with third parties	19,425	-	28,600	48,025
Investments	33,133,954	-	5,614,605	38,748,559
Taxes receivable	4,109,129	-	1,180,048	5,289,177
Interest receivable	2,033	-	-	2,033
Customer accounts (net)	853,103	350,000	126,071	1,329,174
Due from other governments	162,358	1,363,469	388,121	1,913,949
Assessments	-	-	19,507	19,507
Notes and contracts	-	-	1,720,120	1,720,120
Prepaid items	65,454	-	18,263	83,717
Inventory	-	-	51,525	51,525
Total assets	<u>\$ 50,500,779</u>	<u>\$ 4,817,786</u>	<u>\$ 27,142,102</u>	<u>\$ 82,460,667</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 2,094,512	\$ 1,094,473	\$ 1,819,292	\$ 5,008,276
Payable to other governments	94,099	-	12,184	106,283
Interfund loans payable	-	-	624,577	624,577
Deposits payable	1,011	-	9,000	10,011
Unearned revenue-other	3,391,819	-	26,600	3,418,419
Total liabilities	<u>5,581,441</u>	<u>1,094,473</u>	<u>2,491,653</u>	<u>9,167,567</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 153,241	\$ -	\$ 13,222	\$ 166,463
Unavailable revenue-unbilled LID assessments	-	-	11,744	11,744
Total deferred inflows of resources	<u>153,241</u>	<u>-</u>	<u>24,966</u>	<u>178,207</u>
Total liabilities and deferred inflows of resources	<u>5,734,682</u>	<u>1,094,473</u>	<u>2,516,619</u>	<u>9,345,774</u>
FUND BALANCES (DEFICITS)				
Nonspendable				
Contractually maintained deposits	\$ -	\$ -	\$ 2,000	\$ 2,000
Inventory	-	-	51,525	51,525
Prepaid items	65,454	-	18,263	83,717
Restricted				
Capital improvements	\$ 76,275	\$ -	\$ 6,990,835	\$ 7,067,111
Debt service	-	-	1,193,142	1,193,142
Economic environment	1,687,569	-	4,141,802	5,829,371
Other purposes	1,367,016	-	-	1,367,016
Public safety	30,575	-	1,771,050	1,801,625
Transportation	-	-	22,138	22,138
Committed				
Capital improvements	\$ 452,951	\$ 139,008	\$ 5,630,589	\$ 6,222,549
Economic environment	115,855	-	3,995,201	4,111,057
Public safety	99,817	-	-	99,817
Assigned				
Debt service	\$ -	\$ -	\$ 357,142	\$ 357,142
Public safety	57,865	-	-	57,865
Transportation	-	3,584,305	451,796	4,036,101
Unassigned	<u>\$ 40,812,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,812,719</u>
Total fund balances (deficits)	<u>\$ 44,766,097</u>	<u>\$ 3,723,314</u>	<u>\$ 24,625,483</u>	<u>\$ 73,114,893</u>
Total liabilities and fund balances (deficits)	<u>\$ 50,500,779</u>	<u>\$ 4,817,786</u>	<u>\$ 27,142,102</u>	<u>\$ 82,460,667</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Reconciliation of Balance Sheet
To the Statement of Net Position
December 31, 2021

Fund balances of governmental funds	73,114,893
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Amounts reported for governmental activities in the statement of net position are different because:

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

	202,979,195	
		202,979,195

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

Investment in joint venture	2,288,019	
Land held for sale	14,872,368	
Net pension asset	35,385,659	
Notes, contracts and taxes receivable, offset by deferred inflows of resources	178,207	
		52,724,253

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

Net position	12,630,722	
Internal payable representing charges in excess of cost to business-type activities: prior years	3,695,012	
Internal payable representing charges in excess of cost to business-type activities: current year	1,253,669	
		17,579,403

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

Deferred outflow of resources related to pensions	3,304,669	
Deferred outflow of resources related to OPEB	679,212	
Deferred outflow of resources related to debt refunding	222,243	
Deferred inflow of resources related to service concession arrangement (ORV Park assets)	(2,688,500)	
Deferred inflow of resources related to pensions	(24,343,804)	
Deferred inflow of resources related to OPEB	(747,911)	
Deferred inflow of resources related to debt refunding	(5,311)	
		(23,579,402)

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

General obligation bonds	(38,020,000)	
Net premium/discount	(4,103,767)	
Other general government debt	(433,030)	
Net pension liability	(1,012,604)	
Total pension liability	(4,684,110)	
Total OPEB liability	(15,759,914)	
Compensated absences	(3,618,077)	
Accrued interest payable	(136,766)	
		(67,768,268)
Net position of governmental activities		255,050,074

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 50,615,374	\$ -	\$ 13,301,903	\$ 63,917,276
Licenses and permits	2,857,982	-	-	2,857,982
Intergovernmental	2,385,871	5,469,508	2,621,913	10,477,293
Charges for goods and services	8,940,713	551,977	7,233,711	16,726,400
Fines and forfeits	462,109	-	-	462,109
Investment earnings	(253,855)	23,455	29,984	(200,416)
Rents and leases	189,552	-	1,377,405	1,566,957
Miscellaneous revenue	262,960	-	277,356	540,317
Total revenues	65,460,706	6,044,940	24,842,272	96,347,918
EXPENDITURES				
Current:				
Judicial	661,551	-	-	661,551
General government	16,405,324	-	6,582	16,411,906
Public safety	24,871,760	-	8,055,031	32,926,792
Transportation	-	3,454,852	3,486,990	6,941,842
Health and human services	17,471	-	-	17,471
Economic environment	2,713,152	-	4,847,003	7,560,155
Culture and recreation	8,247,329	-	95,226	8,342,555
Debt service:				
Interest	-	26,841	1,710,858	1,737,699
Principal retirement	-	-	2,737,994	2,737,994
Capital outlay:				
General government	256,743	-	267,662	524,404
Public safety	23,878	-	7,584,278	7,608,156
Transportation	-	7,974,171	9,480	7,983,652
Economic environment	44,455	-	37,677	82,132
Culture and recreation	-	-	513,118	513,118
Total expenditures	53,241,662	11,455,865	29,351,900	94,049,427
Excess (deficiency) of revenues over expenditures	12,219,043	(5,410,924)	(4,509,628)	2,298,491
OTHER FINANCING SOURCES (USES)				
Transfers in	563,192	6,919,513	5,683,840	13,166,544
Transfers out	(4,255,458)	-	(9,764,134)	(14,019,592)
Disposition of land held for sale	-	-	1,983,576	1,983,576
Total other financing sources (uses)	(3,692,266)	6,919,513	(2,096,718)	1,130,528
Net change in fund balances	8,526,777	1,508,589	(6,606,346)	3,429,019
Fund balances - beginning	36,239,320	2,214,725	31,231,829	69,685,874
Fund balances - ending	\$ 44,766,097	\$ 3,723,314	\$ 24,625,483	\$ 73,114,893

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

City of Richland, Washington
Annual Comprehensive Financial Report
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended December 31, 2021

Net change in fund balances - total government funds	\$ 3,429,019
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Amounts reported for governmental activities in the statement of activities are different because:

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

Principal repayment	2,737,994	
Amortization of premiums/discounts & deferred amounts on	281,431	
		3,019,425

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

Change in earned revenue reported as deferred inflows in the fund statements	(26,743)	
Change in the City's investment in joint ventures	(62,977)	
Change in the City's investment in land held for sale	(292,890)	
Change in the City's net pension liability and related deferred inflows/outflows	9,167,272	
Change in accrued interest payable	8,838	
Change in net OPEB obligation	298,312	
Change in compensated absences	366,015	
		9,457,827

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

Change in net position	1,524,696	
Internal payable representing charges in excess of cost to governmental activities-	1,253,669	
		2,778,365

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

Capital outlays	16,711,462	
Depreciation	(7,509,530)	
Disposal of capital assets	(1,124)	
Donated capital assets received	999,223	
		10,200,031

Change in net position of governmental activities	\$ 28,884,667
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The notes to financial statements are an integral part of this statement.

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	\$ 43,256,760	\$ 43,256,760	\$ 50,615,374	\$ 7,358,614
Licenses and permits	2,504,500	2,504,500	2,857,982	353,482
Intergovernmental	2,164,609	4,443,723	2,385,871	(2,057,852)
Charges for goods and services	9,239,646	9,239,646	8,940,713	(298,933)
Fines and forfeits	533,800	533,800	462,109	(71,691)
Investment earnings	130,000	130,000	(253,855)	(383,855)
Rents and leases	235,481	235,481	189,552	(45,929)
Miscellaneous revenue	138,905	153,905	262,960	109,055
Total revenues	58,203,701	60,497,815	65,460,706	4,962,891
EXPENDITURES				
Current:				
Judicial	806,508	806,508	661,551	144,957
General government	19,216,540	21,559,977	16,405,324	5,154,653
Public safety	26,098,099	28,854,132	24,871,760	3,982,372
Health and human services	15,965	15,965	17,471	(1,506)
Economic environment	2,778,714	3,000,049	2,713,152	286,897
Culture and recreation	8,511,215	8,595,538	8,247,329	348,209
Total current	57,427,041	62,832,169	52,916,586	9,915,583
Capital outlay:				
General government	-	-	256,743	(256,743)
Public safety	2,250,000	2,650,000	23,878	2,626,122
Economic environment	-	-	44,455	(44,455)
Total capital outlay	2,250,000	2,650,000	325,076	2,324,924
Total expenditures	59,677,041	65,482,169	53,241,662	12,240,507
Excess (deficiency) of revenues over expenditures	(1,473,340)	(4,984,354)	12,219,043	17,203,397
OTHER FINANCING SOURCES (USES)				
Transfers in	563,192	563,192	563,192	-
Transfers out	(4,403,484)	(4,928,782)	(4,255,459)	673,323
Total other financing sources (uses)	(3,840,292)	(4,365,590)	(3,692,267)	673,323
Net change in fund balances	(5,313,632)	(9,349,944)	8,526,776	17,876,720
Fund balances - beginning	36,239,320	36,239,320	36,239,320	-
Fund balances - ending	\$ 30,925,688	\$ 26,889,376	\$ 44,766,097	\$ 17,876,720

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities						
	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Solid Waste Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 13,391,278	\$ -	\$ -	\$ 2,530,971	\$ 3,016,020	\$ 18,938,270	\$ 10,254,274
Deposits with third parties	1,900	5,775	2,650	1,050	-	11,375	472,760
Investments	307,911	-	9,101,242	4,329,979	5,645,410	19,384,542	11,085,263
Customer accounts (net)	6,916,795	869,361	844,900	943,475	2,179,684	11,754,215	31,165
Due from other governments	-	110,971	-	-	59,118	170,089	-
Interfund loans	-	3,890	-	-	-	3,890	-
Special assessments (current)	-	19,587	18,233	-	-	37,820	-
Due from other funds	-	-	-	-	-	-	645,625
Notes and contracts	-	-	-	-	125,000	125,000	-
Prepaid items	290,513	-	-	-	3,844	294,357	213,934
Inventory	4,864,132	92,207	1,040	-	69,262	5,026,642	71,670
Total current assets	25,772,530	1,101,792	9,968,065	7,805,475	11,098,338	55,746,201	22,774,692
Noncurrent assets:							
Cash and cash equivalents	3,346,715	5,459,298	3,196,665	2,206,691	46,885	14,256,255	-
Restricted investments	12,090,414	18,400,770	587,392	4,036,293	-	35,114,868	-
Net pension asset	4,921,406	1,353,150	1,194,067	1,552,371	5,091,836	14,112,830	2,210,420
Interfund loans	-	7,780	-	-	-	7,780	-
Special assessments (noncurrent)	-	78,723	73,281	-	-	152,004	-
Land	837,428	5,604	-	80,500	7,899,620	8,823,153	-
Depreciable assets (net)	1,535,244	4,989,176	10,222,191	7,969,096	1,554,847	26,270,554	17,015,441
Infrastructure	115,255,486	79,414,599	49,304,805	284,294	15,879,511	260,138,695	-
Construction in progress	1,012,900	829,160	2,060,560	53,538	285,529	4,241,688	-
Total noncurrent assets	138,999,594	110,538,260	66,638,963	16,182,782	30,758,229	363,117,827	19,225,861
Total assets	164,772,124	111,640,051	76,607,028	23,988,257	41,856,567	418,864,028	42,000,553
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflow on debt refunding	180,775	166,265	223,901	-	47,961	618,901	-
Pension deferred outflows	595,660	179,875	163,457	187,467	349,460	1,475,919	300,195
OPEB deferred outflows	92,502	30,368	21,442	15,882	9,065	169,260	11,889
Total deferred outflows of resources	868,937	376,508	408,799	203,349	406,486	2,264,080	312,084
Total assets and deferred outflows of resources	\$ 165,641,061	\$ 112,016,560	\$ 77,015,828	\$ 24,191,607	\$ 42,263,053	\$ 421,128,108	\$ 42,312,637
LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	7,843,833	690,228	1,535,142	225,448	484,245	10,778,896	379,695
Payable to other governments	5,813	28,746	(323)	836	36,400	71,472	161
Due to other funds	-	-	-	-	-	-	9,397
Interfund loans payable	-	-	-	-	3,890	3,890	11,651
Deposits payable	-	32,109	6,202	-	776,151	814,462	185,978
Leases payable-current	-	-	-	-	-	-	250,157
Compensated absences-current	359,154	141,019	57,163	135,370	192,847	885,554	263,369
Claims and judgments-current	-	-	-	-	-	-	2,984,819
General obligation bonds payable-current	-	-	-	-	205,000	205,000	-
Revenue bonds payable-current	3,260,000	1,206,203	1,003,798	-	30,000	5,500,000	-
Notes and contracts payable	-	908,666	78,584	234,400	10,268	1,231,918	-
Total OPEB liability	81,671	26,812	18,931	14,023	8,004	149,441	10,497
Total current liabilities	11,550,472	3,033,784	2,699,496	610,077	1,746,804	19,640,633	4,095,724
Noncurrent liabilities:							
Interfund loans payable (noncurrent)	-	-	-	-	7,780	7,780	-
Leases payable	-	-	-	-	-	-	527,984
Compensated absences	359,156	141,019	57,163	135,370	192,847	885,556	263,369
Notes and contracts payable	-	2,507,885	768,396	3,578,947	16,245	6,871,473	-
General obligation bonds payable	-	-	-	-	4,843,611	4,843,611	-
Revenue bonds payable	74,323,182	11,923,584	7,114,739	-	754,890	94,116,394	-
Unearned revenue	766,667	78,723	229,281	-	148,133	1,222,804	-
Net pension liability	344,074	225,849	175,996	151,142	35,536	932,597	354,540
Total OPEB liability	886,941	291,180	205,590	152,285	86,921	1,622,918	113,995
Landfill closure liability	-	-	-	9,006,385	-	9,006,385	-
Total noncurrent liabilities	76,680,021	15,168,241	8,551,165	13,024,129	6,085,962	119,509,518	1,259,888
Total liabilities	88,230,492	18,202,025	11,250,661	13,634,206	7,832,767	139,150,151	5,355,612
DEFERRED INFLOWS OF RESOURCES							
Pension deferred inflows	5,211,944	1,414,465	1,306,117	1,626,223	2,793,558	12,352,307	2,334,812
OPEB deferred inflows	101,859	33,440	23,610	17,489	9,982	186,380	13,091
Deferred inflow on debt refunding	5,216	-	-	-	-	5,216	-
Total deferred inflows of resources	5,319,019	1,447,905	1,329,727	1,643,712	2,803,540	12,543,903	2,347,903
Total liabilities and deferred inflows of resources	93,549,511	19,649,930	12,580,389	15,277,918	10,636,307	151,694,054	7,703,515
NET POSITION							
Net investment in capital assets	49,330,757	68,457,378	51,539,256	4,589,381	19,738,922	193,655,695	16,237,300
Restricted for:							
Capital improvements	1,064,509	7,635,312	6,101,360	-	-	14,801,181	-
Debt service	6,275,298	1,641,527	840,991	146,681	85,203	8,989,699	-
Pensions	747,555	205,542	181,377	235,803	2,666,371	4,036,648	335,760
Unrestricted	14,673,430	14,426,871	5,772,455	3,941,824	9,136,251	47,950,831	18,036,061
Total net position	\$ 72,091,550	\$ 92,366,630	\$ 64,435,439	\$ 8,913,689	\$ 31,626,746	269,434,054	\$ 34,609,122
Net position of internal service funds predominantly serving business-type activities						21,978,398	
Internal payable representing charges in excess of cost to governmental activities-prior years						(3,695,012)	
Internal payable representing charges in excess of cost to governmental activities-current year						(1,253,669)	
Net position of business-type activities						\$ 286,463,771	

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities						Internal Service Funds
	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Solid Waste Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	
OPERATING REVENUES							
Electric	\$ 74,589,326	\$ -	\$ -	\$ -	\$ -	\$ 74,589,326	\$ -
Water	-	16,847,260	-	-	-	16,847,260	-
Sewer	-	-	9,697,791	-	-	9,697,791	-
Solid waste	-	-	-	11,454,847	-	11,454,847	-
Stormwater	-	-	-	-	1,980,786	1,980,786	-
Golf course	-	-	-	-	2,217,217	2,217,217	-
Medical services	-	-	-	-	7,328,684	7,328,684	-
Broadband	-	-	-	-	230,028	230,028	-
Internal service funds	-	-	-	-	-	-	27,592,378
Other operating revenues	1,793,744	-	-	-	-	1,793,744	134,744
Total operating revenues	<u>76,383,071</u>	<u>16,847,260</u>	<u>9,697,791</u>	<u>11,454,847</u>	<u>11,756,716</u>	<u>126,139,685</u>	<u>27,727,122</u>
OPERATING EXPENSES							
Maintenance and operations	45,876,603	5,603,265	5,279,406	6,860,420	6,672,825	70,292,518	19,082,525
Administrative and general	3,767,452	1,394,105	585,483	548,850	1,542,292	7,838,182	2,690,285
Taxes exp	8,946,719	2,802,671	1,287,536	1,405,149	351,651	14,793,726	-
Depreciation	6,358,130	2,782,418	1,993,452	459,094	537,055	12,130,149	2,975,844
Total operating expenses	<u>64,948,904</u>	<u>12,582,459</u>	<u>9,145,877</u>	<u>9,273,512</u>	<u>9,103,823</u>	<u>105,054,576</u>	<u>24,748,654</u>
Operating income (loss)	<u>11,434,166</u>	<u>4,264,801</u>	<u>551,914</u>	<u>2,181,335</u>	<u>2,652,893</u>	<u>21,085,109</u>	<u>2,978,468</u>
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	(97,140)	(139,589)	(87,161)	(77,814)	(45,692)	(447,397)	(65,751)
Gain(loss) on disposition of capital assets	-	-	-	-	45,000	45,000	(3,702)
Miscellaneous nonoperating revenues/(expenses)	(60,718)	26,749	14,693	(1,132,268)	1,319,135	167,591	403,315
Interest expense	(2,683,446)	(476,501)	(297,647)	(58,358)	(241,950)	(3,757,903)	(52,206)
Debt costs	(179,888)	-	-	-	-	(179,888)	-
Total nonoperating revenues (expenses)	<u>(3,021,192)</u>	<u>(589,341)</u>	<u>(370,115)</u>	<u>(1,268,440)</u>	<u>1,076,493</u>	<u>(4,172,596)</u>	<u>281,656</u>
Income (loss) before contributions and transfers	8,412,974	3,675,460	181,799	912,895	3,729,386	16,912,513	3,260,124
Transfers in	\$ -	\$ -	\$ 8,090	\$ -	\$ 707,666	\$ 715,756	\$ 267,372
Transfers out	(30,000)	(20,000)	(5,000)	-	(54,603)	(109,603)	(20,477)
Insurance recoveries	-	13,720	-	-	-	13,720	19,030
Capital contributions	1,161,550	2,479,672	1,599,887	-	313,865	5,554,974	-
Change in net position	<u>9,544,524</u>	<u>6,148,852</u>	<u>1,784,776</u>	<u>912,895</u>	<u>4,696,313</u>	<u>23,087,360</u>	<u>3,526,049</u>
Total net position - beginning	\$ 62,547,026	\$ 86,277,180	\$ 62,650,663	\$ 8,000,794	\$ 26,930,432	\$ 246,406,095	\$ 31,083,073
Prior period adjustment	-	(59,401)	-	-	-	(59,401)	-
Total net position - ending	<u>\$ 72,091,550</u>	<u>\$ 92,366,630</u>	<u>\$ 64,435,439</u>	<u>\$ 8,913,689</u>	<u>\$ 31,626,746</u>	<u>\$ 269,434,054</u>	<u>\$ 34,609,122</u>
						Net change in enterprise funds net position	23,087,360
						Change in net position of internal service funds predominantly serving business-type activities	2,001,351
						Internal payable representing charges in excess of cost to governmental activities-current year	(1,253,669)
						Changes in net position of business-type activities	<u>\$ 23,835,042</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Solid Waste Utility Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from customers	\$ 77,084,208	\$ 16,690,389	\$ 9,666,512	\$ 11,348,002	\$ 18,788,751	\$ 133,577,862	\$ 15,740,614
Receipts from interfund services provided	-	-	-	-	-	-	-
Cash Other	-	-	-	-	-	-	-
Payments to employees	(1,018,340)	(2,778,238)	(2,471,588)	(3,159,947)	(4,621,478)	(14,049,591)	(4,425,053)
Payments to suppliers	(48,402,973)	(2,778,731)	(561,149)	(1,271,056)	(10,378,296)	(63,392,205)	(17,242,666)
Other payments	-	-	-	-	-	-	-
Taxes paid	(6,340,093)	(2,802,750)	(1,287,579)	(1,404,881)	(352,602)	(12,187,904)	(262)
Payments for interfund services used	(2,456,406)	(2,668,982)	(1,507,138)	(3,814,867)	(1,679,509)	(12,126,901)	(1,394,084)
Net cash provided (used) by operating activities	<u>18,866,396</u>	<u>5,661,689</u>	<u>3,839,058</u>	<u>1,697,251</u>	<u>1,756,867</u>	<u>31,821,261</u>	<u>4,811,168</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to other funds	(30,000)	(20,000)	-	-	(54,603)	(104,603)	-
Grants and contributions	-	-	-	-	1,060,344	1,060,344	-
Reimbursements and recoveries	-	17,121	2,659	33,853	(223,625)	(169,991)	176,241
Transfers from other funds	-	-	-	-	597,666	597,666	-
Proceeds from interfund loans	-	-	-	-	-	-	750,030
Interfund loan principal payments paid	-	-	-	-	-	-	(645,625)
Interfund loan principal payments received	-	1,077,539	-	-	-	1,077,539	-
Net cash provided (used) by noncapital financing activities	<u>(30,000)</u>	<u>1,074,660</u>	<u>2,659</u>	<u>33,853</u>	<u>1,379,782</u>	<u>2,460,954</u>	<u>280,646</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal paid on debt	(3,120,000)	(2,493,761)	(1,537,900)	(210,526)	(246,480)	(7,608,668)	(242,369)
Interest paid on debt	(2,936,269)	(636,120)	(402,092)	(34,484)	(244,815)	(4,253,780)	(52,206)
Transfers to other funds	-	-	(5,000)	-	-	(5,000)	(20,477)
Transfers from other funds	-	-	8,090	-	110,000	118,090	267,372
Payments related to acquisition, construction or improvements of capital assets	(11,124,124)	(3,075,003)	(2,587,636)	(248,965)	(1,373,446)	(18,409,173)	(3,326,791)
Bond issuance costs	(179,888)	-	-	-	-	(179,888)	-
Interfund loan principal paid	-	-	-	-	(203,890)	(203,890)	-
Proceeds from sale of capital assets	9,582	17,206	6,316	-	-	33,104	160,087
Proceeds from capital grants and contributions	864,289	2,731,194	1,218,942	-	(18,161)	4,796,264	-
Proceeds from debt	7,566,084	476,394	-	424,489	-	8,466,967	-
Net cash provided (used) by capital and related financing activities	<u>(8,920,326)</u>	<u>(2,980,090)</u>	<u>(3,299,279)</u>	<u>(69,487)</u>	<u>(1,976,792)</u>	<u>(17,245,974)</u>	<u>(3,214,384)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipt of interest	84,904	158,995	86,639	66,210	(21,318)	375,429	54,967
Investments sold	5,699,732	11,083,711	7,083,036	5,775,220	3,566,511	33,208,210	8,074,901
Investments purchased	(12,515,608)	(18,699,354)	(9,862,434)	(8,510,295)	(5,669,784)	(55,257,475)	(11,085,263)
Net cash provided (used) by investing activities	(6,730,972)	(7,456,648)	(2,692,759)	(2,668,865)	(2,124,592)	(21,673,836)	(2,955,395)
Net increase (decrease) in cash and cash equivalents	3,185,098	(3,700,389)	(2,150,320)	(1,007,247)	(964,736)	(4,637,595)	(1,077,965)
Balances - beginning of year	13,552,895	9,159,687	5,346,986	5,744,910	4,027,642	37,832,120	11,332,240
Balances - end of the year	<u>\$ 16,737,993</u>	<u>\$ 5,459,298</u>	<u>\$ 3,196,666</u>	<u>\$ 4,737,663</u>	<u>\$ 3,062,906</u>	<u>\$ 33,194,525</u>	<u>\$ 10,254,275</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating Income	\$ 11,434,166	\$ 4,264,801	\$ 551,914	\$ 2,181,335	\$ 2,652,892	\$ 21,085,107	\$ 2,978,468
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	6,358,130	2,782,418	1,993,452	459,094	537,055	12,130,149	2,975,844
Accrued pension and OPEB expense	(1,979,699)	(602,200)	(575,064)	(695,486)	(902,501)	(4,754,950)	(895,261)
Changes in assets and liabilities:							
Accounts Payable - Supplier	3,301,964	(530,571)	1,922,601	(137,285)	(133,290)	4,423,419	(356,373)
Customer Receivables	(21,852)	(176,613)	(44,508)	(117,424)	(573,779)	(934,177)	142,633
Inventory	(395,760)	(76,252)	57	-	6,308	(465,646)	3,403
Salaries & Benefits Payable	(35,978)	106	(9,394)	7,018	156,280	118,032	(27,864)
Unearned revenues	(5,034)	-	-	-	12,337	7,303	-
Prepaid items	47,515	-	-	-	1,564	49,078	(9,683)
Other income and adjustments	162,944	-	-	-	-	162,944	-
Net cash provided (used) by operating activities	<u>\$ 18,866,396</u>	<u>\$ 5,661,689</u>	<u>\$ 3,839,058</u>	<u>\$ 1,697,251</u>	<u>\$ 1,756,866</u>	<u>\$ 31,821,260</u>	<u>\$ 4,811,168</u>
Noncash investing, capital and financing activities							
Contribution of capital assets	<u>\$ 233,245</u>	<u>\$ 558,572</u>	<u>\$ 380,945</u>	<u>\$ -</u>	<u>\$ 313,865</u>	<u>\$ 1,486,627</u>	<u>\$ -</u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 5,581,656
Receivables:	
Accounts Receivable	786,742
Due from Gov'tl Units (Taxes)(Grants Rec'l)	<u>266,647</u>
Total Receivables	6,635,045
Noncurrent Assets:	
Land	14,593
Building	2,126,317
Less Allowance for Depreciation	(1,040,582)
Equipment	16,644,644
Less Allowance for Depreciation	<u>(13,582,509)</u>
Total Noncurrent Assets	4,162,463
Total Assets	<u><u>10,797,508</u></u>
DEFERRED OUTFLOWS of RESOURCES	
LIABILITIES	
Current Liabilities:	
Accounts Payable	447,495
Salaries Payable	<u>178,655</u>
Total Current Liabilities	626,149
Long-Term Liabilities	
Employee Leave Benefits	<u>178,655</u>
Total Long-Term Liabilities	178,655
DEFERRED INFLOWS OF RESOURCES	
NET POSITION	
Restricted for:	
Net Investment in Capital Assets	4,162,463
Unrestricted	<u>5,830,240</u>
Total net position	<u><u>\$ 9,992,703</u></u>

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2021

	Custodial Funds
ADDITIONS	
Contributions:	
Collections from Participants	\$ 5,365,808
Grant Revenues	779,721
Tax Revenues	2,770,920
Site & Facilities Rent	27,712
Contribution for Capital Projects	387,695
Interest Earnings	35,340
Total Additions	<u>9,367,196</u>
 DEDUCTIONS	
Supplies	-
Charges for goods and services	7,802,423
Repairs & Maintenance	14,868
Admin. Services - Richland	485,848
Gain on Disposition of capital assets	208,585
Depreciation Expense	1,149,848
Total deductions	<u>9,661,572</u>
Net increase (decrease) in fiduciary net position	(294,376)
Net position - beginning	10,287,079
NET POSITION - ENDING	<u><u>\$ 9,992,703</u></u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

THE REPORTING ENTITY

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Custodial funds account for resources that are legally held in trust or custodial capacity for others, and therefore cannot be used to support the City’s own programs. Custodial funds include: 1) Columbia Point Master Association Fund, 2) Uptown Business Improvement District Fund, 3) Downtown Business Improvement District

Fund, 4) Southeast Communication Fund, 5) 800 MHz Radio Fund, 6) Microwave Fund and 7) Emergency Management Fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

BUDGET INFORMATION

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

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

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

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

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

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

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

Budgets established for Debt Service, Capital Projects and Proprietary Funds are not reported in the Annual Comprehensive Financial Report (ACFR).

ASSETS, LIABILITIES AND NET POSITION

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

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PURPOSE	ELECTRIC	WATER	SEWER	SOLID WASTE	STORM WATER	COLUMBIA PT GOLF COURSE	TOTAL
Capital Improvements	\$ 2,178,485	\$ 4,850,026	\$ 2,961,300				\$ 9,989,811
Landfill Closure/Post Closure				2,060,011			2,060,011
Debt Service	1,168,230	609,272	235,365	146,680	24,331	22,555	2,206,433
Total Restricted	\$ 3,346,715	\$ 5,459,298	\$ 3,196,665	\$ 2,206,691	\$ 24,331	\$ 22,555	\$ 14,256,255

The City's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). The City's total deposits as of December 31, 2021, are as follows:

Treasurer's Cash, Net	\$ 8,750,888
Held by Component Unit	\$ 137,216
Deposits In Transit	\$ 296,619
Petty Cash/Change Funds	\$ 6,050
Deposits with Fiscal Agent	\$ 2,654
Outstanding Checks	\$ (2,464,341)
Retainage Held by 3rd Party	\$ 742,671
Unreconciled Items	\$ 62,327
Total Deposits	\$ 7,534,084

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

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

The City is required to certify their budget with the Clerk of the Board of County Commissioners by November 30th and certify the amount of their taxes levied for the upcoming year. The levy is based on the value of all taxable real property in the City of Richland at 100% of the fair market value of the property listed as of the prior May 31st as assessed by the County Assessor. The City's regular property tax levy rate is limited to \$3.60 per \$1,000 assessed value (\$3.375 plus \$0.225 for cities with firefighter's pensions) by the Washington State Constitution and State law (RCW 84.55.010 and 84.55.0101). Special levies are approved by voters and not subject to the limitations. In 2021, the City's regular tax levy was \$2.2532 per \$1,000 on an assessed valuation of \$8,246,310,077 for a total regular levy of \$18,580,597 (after the appeals process). The City's regular levy included \$0.040 for the Fire Pension Fund, which resulted in collections of \$330,000. In addition, there were special levies for debt service on general obligation debt issued for capital acquisitions or construction at \$.1845 per \$1,000 of assessed valuation of \$8,215,601,523 totaling \$1,515,975 (after the appeals process). The composite City of Richland levy was \$2.43773 per \$1,000 of assessed valuation for a total levy of \$20,096,572.

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

delinquent taxes. In addition to the penalties, unpaid balances accrue interest of 1% of the outstanding balance beginning May 1st of the following year.

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

General Fund	\$	153,241
Other Governmental Funds		
Library Remodel Bond Fund		13,222
TOTAL	\$	<u>166,463</u>

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

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

Due from Other Governments – In the City’s governmental activities, these consist primarily of grant reimbursements and property tax distributions in transit, as well as sales tax and State shared revenues. Amounts due from other governments to the City’s business-type activities consist of amounts owed for grant reimbursements.

Assessments - These consist of assessments receivable from local improvement districts. The receivable is established when the final assessment roll has been adopted. No allowance for uncollectible assessments is recorded because delinquent assessments are considered fully collectible. Assessments are deferred for one year from the date of the adoption of the final assessment roll. Long-term assessments in the Special Assessment Debt Service Fund are offset by deferred inflows, as they are considered unavailable to finance expenditures of the current period. As of December 31, 2021, the City had the following assessment balances:

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	Current Assessments	Delinquent Assessments	Long Term Assessments	Deferred Inflows	Fund Total
Debt Service Fund Assessments Receivable (LIDs)	\$ 5,170	\$ 2,594	\$ 11,744	\$ (11,744)	\$ 7,763
Water Fund Assessments Receivable	258	19,330	78,723	-	\$ 98,310
Sewer Fund Assessments Receivable	240	17,993	73,281	-	\$ 91,515
Total	\$ 5,667	\$ 39,917	\$ 163,748	\$ (11,744)	\$ 197,588

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

Other Governmental Funds	
CDBG fund	\$769,262
HOME fund	<u>950,858</u>
TOTAL	<u>\$1,720,120</u>

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

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

The following table shows a summary of the interfund balances for the year ended December 31, 2021:

OWED TO...	OWED BY...				
	Streets Construction	Other Governmental	Other Enterprise	Internal Service	TOTAL
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Water Fund	-	-	3,890	-	3,890
Internal Service	-	624,577	-	21,048	645,625
Total	\$ -	\$ 624,577	\$ 3,890	\$ 21,048	\$ 649,515

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

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

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

OWED TO...		OWED BY ...				
Reported In	Fund	Internal Service		Other Governmental		TOTAL
		Equipment Maintenance	Central Stores	CDBG	Fire Station Construction	
Internal Service	Equipment Replacement	\$ 11,651	\$ 9,397	\$ 45,822	\$ 578,755	\$ 645,625
Total		\$ 11,651	\$ 9,397	\$ 45,822	\$ 578,755	\$ 645,625

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

Investment in Joint Ventures - These consist of the following:

Benton County Emergency Services (BCES) - BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. A second amended and restated interlocal agreement was made and entered into by and between the following entities: Benton County, Franklin County, the Cities of Kennewick, Richland, West Richland, Prosser, Benton City, and Pasco, Benton and Franklin County Fire Protection Districts and the Public Utility District #1 of Benton County. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick, Pasco and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City, a Benton County Commissioner, a Franklin County Commissioner and a single representative collectively representing Benton and Franklin County Fire Protection Districts. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCES in 2021 for these services was \$485,848. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

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

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

The City of Richland's equity interest in SECOMM as of December 31, 2021 was \$1,166,064 which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

800 MHz - 800 MHz Radio Project fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. The Cities of Kennewick, Richland and Benton County each owns a share of 800 MHz's net assets. User agencies are Benton County's Sheriff Office, Jail, Juvenile Justice Center, Public Utility District, and Animal Control; the Cities of Richland, Kennewick, Prosser, Pasco and West Richland, as well as PNNL, DEA, and the Framatome Corporation. Radios are charged an annual fee per radio to generate the funds necessary to maintain and upgrade the system. The City of Richland's equity interest in 800 MHz as of December 31, 2021 was \$741,376 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

Microwave - The microwave system is accounted for separately within its own fund and the user groups are charged a portion of costs based on number of circuits utilized. The Cities of Kennewick, Richland and Benton County each owns an equal share of Microwave's net assets. The City of Richland's equity interest in Microwave as of December 31, 2021 was \$52,310 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

BCEM - BCCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions of the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations. The City of Richland's equity interest in BCCEM as of December 31, 2021 was \$25,057, which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected under Public Safety in the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

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

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

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Interlocal Agreement, the net position will be shared based upon participant contribution. Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, Kennewick provides all necessary support services for the operation of BI-PIN such as accounting, legal services, risk management and information systems. The total amount paid by BI-PIN in 2021 for these transactions was \$46,437.

The City of Richland's equity interest in BI-PIN was \$261,022 on December 31, 2021, which is reported as an investment in joint ventures in the Government-wide Statement of Net Position. The change in equity is reflected in the Government-wide Statement of Activities under Public Safety. The City does not anticipate any income distributions from BI-PIN since charges are assessed only to recover anticipated expenses. Complete separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 W. 6th Ave., Kennewick, Washington, 99336.

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

The City of Richland's equity interest in Metro was \$42,190 on June 30, 2021, which is reported as an investment in joint ventures in the Government-wide Statement of Net Position. The change in equity is reflected in the Government-wide Statement of Activities under Public Safety. The City does not anticipate any income distributions from Metro.

Complete separate financial statements for Metro may be obtained at the City of Kennewick, 210 West Sixth Avenue, Kennewick, Washington.

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

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

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

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

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

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

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

Liabilities

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

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

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

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

Unearned Revenue – These include amounts recorded as receivables or other assets for which revenue recognition criteria has not yet been met. They consist primarily of unredeemed gift certificates at Columbia Point Golf Course; facility fees in electric, water and sewer funds; and unspent federal COVID assistance.

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

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

Total Other Post-Employment Benefits (OPEB) Liability - For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information of the City's Retiree Health Benefit Plan and City's LEOFF 1 Fire and Police Plans (the Plans) have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. The City's total OPEB liability was valued as of December 31, 2020, and was used to calculate the total OPEB liability measured as of December 31, 2021. The City implemented GASB Statement No. 75 in 2018. OPEB is discussed in detail in Note 9.

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

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

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

Net Position, Equity and Fund Balances

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

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

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

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

Minimum Fund Balance – The City's financial policies, as outlined in the 2021 annual budget document, state that minimum reserves should be maintained in the General Fund equal to approximately 16.7% of projected annual operating expenditures. Any proposed reduction of this reserve level requires approval by a majority of the City Council.

Deficit Fund Equity – Two funds had deficit balances in fund equity at December 31, 2021, as follows:

- The Public Works Administration and Engineering Fund is reporting a deficit net position at December 31, 2021, in the amount of \$81,951. The Net Pension Liability reported in accordance with GASB 68 and Total OPEB Liability reported in accordance with GASB 75 results in a deficit fund balance at year-end.
- The Equipment Maintenance Fund is reporting a deficit net position at December 31, 2021, in the amount of \$281,135. The Net Pension Liability reported in accordance with GASB 68, as well as compensated absence accruals, contributed to a deficit fund balance at year-end.

Stewardship, Compliance and Accountability - There have been no material violations or possible violations of laws or regulations and finance-related legal or contractual provisions whose effects should be considered for disclosure in the financial statement or as a basis for recording loss contingencies, except as disclosed in Note 12.

The City has satisfactory title to all owned assets and there is no lien or encumbrance on such assets, nor has any asset been pledged.

Prior Period Adjustments – Occasionally, a prior period adjustment is required to adjust fund balance for corrections of prior year amounts that should not flow through the current year Revenue and Expenditure statements. The following table itemizes all the prior period adjustments made in 2021, along with the purposes for the adjustments:

	Purpose for Adjustment	Increase / (Decrease) due to adjustment		
		Assets	Liabilities	Net Position
Fund Financial Statements:				
Governmental Funds:				
		<hr/>		
Total Governmental Funds		-	-	-
Enterprise Funds:				
Water Utility	1	(59,401)	-	(59,401)
Total Enterprise Funds		(59,401)	-	(59,401)
		<hr/>		
Total prior period adjustments - all funds		(59,401)	-	(59,401)
		<hr/> <hr/>		
Government-wide Financial Statements				
Governmental Activities:				
Total Governmental Activities		-	-	-
		<hr/>		
Total prior period adjustments - all funds and govt activities		(59,401)	-	(59,401)
		<hr/> <hr/>		

Purpose for adjustments:

1. In 2021, three assets were identified as being demolished in a prior year. A prior period adjustment was required to record the disposal of two water chlorine scrubbers, and the water north Richland maintenance shop.

NOTE 2. INVESTMENTS

Investments Measured at Amortized Cost

As of December 31, 2021, the City held the following investments at amortized cost:

<u>Type of Investment</u>	<u>Maturities</u>	
State Investment Pool (LGIP)	Average 34 days	76,080,928
Total		76,080,928

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

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

Investments Measured at Fair Value

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

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

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

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Credit Risk: The following represents the allocation and credit rating of City investments by type of security as of December 31, 2021:

Federal Home Loan Mortgage Corporation	AAA	13%
Federal National Mortgage Association	AAA	8%
Federal Home Loan Bank	AAA	4%
Municipal Bonds	A- to AAA	17%
Local Governmental Investment Pool	Unrated	53%
Certificate of Participation	Unrated	4%
Pension Mutual Funds	Unrated	1%

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

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

At December 31, 2021, the City had the following investments at fair value:

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Weighted Average Maturities
<u>GOVERNMENTAL ACTIVITIES</u>				
U.S. Treasury Securities	\$ 9,857,877	\$ 9,857,877	\$ -	0.72
U.S. Government Securities	19,897,131		\$ 19,897,131	0.72
Municipal Bonds	15,033,550		15,033,550	0.56
Bond Mutual Funds	743,605	743,605	-	N/A
Subtotal Governmental Activities	45,532,163	10,601,482	34,930,681	
<u>BUSINESS TYPE ACTIVITIES</u>				
U.S. Treasury Securities	12,942,004	12,942,004	-	0.72
U.S. Government Securities	26,122,131		26,122,131	0.72
Municipal Bonds	19,736,934		19,736,934	0.56
Subtotal Business Type Activities	58,801,069	12,942,004	45,859,065	
Total Investments by Fair Value Level	\$ 104,333,232	\$ 23,543,486	\$ 80,789,746	

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NOTE 3. CAPITAL ASSETS

Governmental Activities - A summary of governmental capital assets for the year ended December 31, 2021 is presented in the following table:

Governmental activities	Balance January 1, 2021	Increases	Decreases	Transfers/ Reclassifications	Balance December 31, 2021
<u>Capital Assets, not being depreciated:</u>					
Land	\$ 8,001,359	\$	\$	\$	\$ 8,001,359
Construction in progress	13,561,138	15,764,698	(21,839,724)		7,486,112
Total capital assets, not being depreciated	21,562,497	15,764,698	(21,839,724)	-	15,487,471
<u>Capital Assets, being depreciated:</u>					
Buildings and improvements	89,676,059	9,811,820	-	-	99,487,879
Machinery and equipment	9,545,295	158,547			9,703,842
Infrastructure	278,373,077	14,268,927	(172,016)		292,469,988
Intangibles	3,019,725	176,009			3,195,734
Total capital assets, being depreciated	380,614,156	24,415,304	(172,016)	-	404,857,443
Less accumulated depreciation for:					
Buildings and improvements	(38,570,554)	(2,543,302)			(41,113,857)
Machinery and equipment	(7,356,567)	(445,510)			(7,802,076)
Infrastructure	(163,123,281)	(4,233,909)			(167,357,190)
Intangibles	(805,787)	(286,810)			(1,092,596)
Total accumulated depreciation	(209,856,189)	(7,509,531)	-	-	(217,365,719)
Total capital assets being depreciated, net	170,757,968	16,905,773	(172,016)	-	187,491,724
Governmental activities capital assets, net	\$ 192,320,465	\$ 32,670,471	\$ (22,011,740)	\$ -	\$ 202,979,195

Depreciation expense was charged as follows:

<u>FUNCTION</u>	<u>TOTAL</u>
General government -	\$ 1,359,973
Public safety -	387,273
Transportation -	4,090,766
Economic environment -	183,798
Culture & recreation -	1,487,720
Physical environment -	-
TOTAL DEPRECIATION EXPENSE	\$7,509,531

The following is a list of construction commitments existing as of December 31, 2021 in the City's governmental-type activities:

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Fund	Project	Spent as of December 31, 2021	Remaining Committed	Asset #
Streets Capital Const	Duportail Bridge	29,294,932	1,280,274	11036
Streets Capital Const	Duportail Bridge Phase II - Railroad Crossing	4,153,648	76,307	12492
Streets Capital Const	First Street Extension W of Kingsgate	1,590,637	21,155	12494
Streets Capital Const	McMurray Street Rapid Flash Beacon	385,116	66,423	12151
Streets Capital Const	SR240/Aaron Interchange Improvement	117,327	70,625	12495
Streets Capital Const	Center Parkway South - Environmental Srv	302,435	70,703	12019
Streets Capital Const	Center Parkway - North-Gage to Tapteal	2,415,058	4,465	11035
Streets Capital Const	South GWW Intersection Improvements	241,378	85,002	11037
Fire Station 75 Construction	Fire Station 75 Construction	4,271,781	561,923	12480
Fire Station 73 Construction	Fire Station 73 Construction	4,780,978	274,582	12481
Parks Construction	Howard Amon Riverfront Trail	74,976	24,247	12275
Parks Construction	Wayfinding Gateway Entrance	630,925	42,502	12025
Parks Construction	Shoreline Enhancements	56,554	78,166	11046
Parks Construction	Claybell Park Pickleball Courts	104,645	147,233	12618

Business-Type Activities - A summary of business-type capital assets for the year ended December 31, 2021 is presented in the following table:

Business-type activities	Balance			Transfers/ Reclassifications	Balance December 31, 2021
	January 1, 2021	Increases	Decreases		
<u>Capital Assets, not being depreciated:</u>					
Land	\$ 8,823,153	\$ -	\$ -	\$ -	\$ 8,823,153
Construction in progress	5,733,504	6,339,778	(7,831,595)	-	4,241,688
Total capital assets, not being depreciated	14,556,657	6,339,778	(7,831,595)	-	13,064,840
<u>Capital Assets, being depreciated:</u>					
Buildings and improvements	54,046,775	2,641,923	(147,819)	-	56,540,878
Machinery and equipment	46,350,628	4,076,309	(1,767,750)	-	48,659,187
Infrastructure	429,220,294	15,628,690	(14,638)	-	444,834,346
Total capital assets, being depreciated	529,617,696	22,346,922	(1,930,206)	-	550,034,412
Less accumulated depreciation for:					
Buildings and improvements	(32,262,892)	(929,534)	114,881	-	(33,077,545)
Machinery and equipment	(26,908,040)	(3,733,688)	1,805,202	-	(28,836,526)
Infrastructure	(174,037,158)	(10,658,492)		-	(184,695,650)
Total accumulated depreciation	(233,208,091)	(15,321,714)	1,920,083	-	(246,609,722)
Total capital assets being depreciated, net	296,409,605	7,025,209	(10,123)	-	303,424,690
Business-type activities capital assets, net	\$ 310,966,262	\$ 13,364,987	\$ (7,841,718)	\$ -	\$ 316,489,531

The following is a list of construction commitments existing as of the year ended December 31, 2021 in the City's business-type activities:

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<u>Fund</u>	<u>Project</u>	<u>Spent as of December 31, 2021</u>	<u>Remaining Committed</u>
Electric	Underground Boring	-	1,249,046
Electric	Gateway Substation	2,198,265	1,698,251
Electric	Overhead Pole and Conductor Replacement	424,704	233,309
Water	Duportail Bridge Phase II - Railroad Crossing	488,230	13,805
Water	Chief Joseph Middle School Irrigation Well	15,432	216,581
Water	UV Facility Upgrades	27,042	113,223
Water	Tapteal Pump Station Upgrades	45,917	351,744
Water	Salt Silos	86,380	59,001
Water	Torbett-McPherson Water Main Replacement	74,621	2,290,708
Water	Yakima River Crossing Pipeline Replacement - Duportail Bridge	4,497,583	133,046
Sewer	Waste Water Treatment Facility Digester Improvements	1,103,394	864,497
Sewer	Waste Water Treatment Facility Aeration Basin #2 Retrofit	665,895	30,324
Sewer	Waste Water Treatment Facility Generator Replacement	283,181	323,372
Sewer	Torbett-McPherson Water Main Replacement	-	156,550
Stormwater	NR09 Upbasin Stormwater Retrofit	17,962	4,800
Stormwater	Hains Ave Stormwater Outflow Retrofit	20,398	15,000

NOTE 4. LONG-TERM DEBT AND LIABILITIES

Governmental Activities

Long-term liabilities of the City's governmental activities consist of 1) general obligation bonds, 2) compensated absences, 3) notes, loans payable to state agencies, and Local Program loans through Office of the State Treasurer 4) Other Post-Employment Benefits (OPEB) Liability, and 5) Net Pension Liability. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long-Term Governmental Liabilities and Debt which includes changes to long-term liability activities for 2021.

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

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

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

firefighters. The Total OPEB Liability (TOL) at year end for each plan is included in the long-term debt table presented later in this section. GASB Statement 75 was implemented in 2018. A large part of GASB 75 was improving the approach to measuring the liability and requiring governments to report the liability on their financial statements. The TOL for all fund types as of December 31, 2021, is \$17,656,764. The TOL as of December 31, 2021, related to governmental activities is \$15,759,914. The current portion of the TOL for governmental activities is \$1,147,983.

Net Pension Liability – GASB 68 became effective with the 2015 ACFR. As such the City is required to report a proportionate share of the State’s pension liability from the PERS 1, 2 and 3, LEOFF 1 and 2 State Pension Plans. LEOFF Plans and PERS Plans 2 and 3 have Net Pension Assets which are not reflected in this section, however PERS Plan 1 has Net Pension Liabilities (NPL) that are reflected in the table on the following page. The City’s share of the Net Pension Liability for PERS 1 is \$2,299,742 of which \$1,012,604 is related to governmental activities. This amount has been allocated to Governmental activities and Business type activities based on the contributions of each fund. Governmental Funds are only reported on the Statement of Net Position however, proprietary funds have recorded their share of the liability in the fund financial statements. In addition to the State pension plans, the City is responsible for administering two Pre LEOFF 1 Pension Plans for Pre LEOFF police and fire officers. The Total Pension Liability for each of those plans is included in the long-term debt table presented later in this section. These two plans are reported in accordance to GASB 73, which became effective for the City with the 2018 ACFR.

Refunded Bonds – In prior years the City defeased certain general obligation bonds by placing a portion of the proceeds from new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City’s financial statements. At December 31, 2021, no bonds outstanding are considered defeased.

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The following table provides a complete and comprehensive record of all long-term governmental liabilities as of December 31, 2021:

SCHEDULE OF LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES								
UNLIMITED TAX GENERAL OBLIGATION BONDS-VOTED								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2021	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/21	DUE WITHIN ONE YEAR
2015 Refunding UTGO Police Station/Community Center/Library Remodel	2.00%-5.00%	12/1/2026	14,385,000	8,485,000		1,170,000	7,315,000	1,265,000
TOTAL UNLIMITED TAX GENERAL OBLIGATION BOND DEBT							7,315,000	1,265,000
LIMITED TAX GENERAL OBLIGATION BONDS-NONVOTED, COUNCILMANIC								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2021	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/21	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1998 LTGO Refund, IT Facility)	2.00%- 4.30%	12/1/2039	3,170,000	1,220,000		65,000	1,155,000	65,000
2013A LTGO LRF to finance infrastructure in RAISE area	1.125%-4.00%	12/1/2037	10,050,000	8,355,000		365,000	7,990,000	380,000
2014 LTGO Fire Station #74 Construction	2.0%-4.0%	12/1/2034	3,355,000	2,580,000		145,000	2,435,000	150,000
2017 LTGO & Refunding & 2006 Refunding Bonds (City Hall Portion)	3.0%-5.0%	12/1/2045	13,255,000	12,960,000		305,000	12,655,000	310,000
2017 LTGO & Refunding & 2006 Refunding Bonds (2006 Refunding Portion)	2.0%-4.0%	12/1/2045	2,875,000	1,620,000		440,000	1,180,000	220,000
Local Fire Stations 73 & 75	2.21731%	6/1/2040	5,445,000	5,445,000		155,000	5,290,000	175,000
TOTAL LIMITED TAX GENERAL OBLIGATION BOND DEBT							30,705,000	1,300,000
Unamortized Premiums				4,428,583	-	324,816	4,103,767	
TOTAL GENERAL OBLIGATION BOND DEBT NET OF UNAMORTIZED PREMIUMS							42,123,767	2,565,000
OTHER GOVERNMENTAL LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2021	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/21	DUE WITHIN ONE YEAR
C2003-148- Community Economic Revitaliz. Bd Loan Battelle Blvd. Ext.	1.00%	1/1/2026	780,000	326,033		52,996	273,037	53,526
WSDOT Rail Loan for Streets	0.00%	7/1/2025	399,982	199,991		39,998	159,993	39,998
Compensated Absences		N/A	-	3,984,093	3,279,631	3,645,646	3,618,077	1,626,031
Net Pension Liab-Pre LEOFF 1 Plan Fire		N/A	-	1,563,693		71,503	1,492,190	-
Net Pension Liab-Pre LEOFF 1 Plan Police		N/A	-	3,289,149		97,229	3,191,920	-
Total OPEB Liability - LEOFF 1 Plan Fire		N/A	-	4,039,296		118,591	3,920,705	256,911
Total OPEB Liability - LEOFF 1 Plan Police		N/A	-	4,850,841		123,799	4,727,042	291,392
Net Pension Liability- State PERS/LEOFF Plans		N/A	-	5,164,037		4,151,433	1,012,604	-
Total OPEB Liability - City Post Emp Healthcare		N/A	-	7,237,061		124,894	7,112,167	759,618
TOTAL OTHER GOVERNMENTAL LIABILITIES							25,507,735	3,027,476
TOTAL GOVERNMENTAL LIABILITIES							67,631,502	5,592,476

The annual debt service requirements to maturity as of the fiscal year ended December 31, 2021 for governmental debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

SCHEDULE OF DEBT SERVICE FOR GOVERNMENTAL ACTIVITIES			
YEAR ENDING DECEMBER 31	PRINCIPAL	INTEREST	TOTAL
2022	\$ 2,658,524	\$ 1,609,512	\$ 4,268,036
2023	\$ 2,799,060	\$ 1,516,826	\$ 4,315,885
2024	\$ 2,944,600	\$ 1,419,236	\$ 4,363,836
2025	\$ 3,120,146	\$ 1,305,240	\$ 4,425,386
2026	\$ 3,270,700	\$ 1,168,651	\$ 4,439,351
2027-2031	\$ 7,155,000	\$ 4,557,011	\$ 11,712,011
2032-2036	\$ 7,955,000	\$ 3,037,903	\$ 10,992,903
2037-2041	\$ 5,375,000	\$ 1,469,600	\$ 6,844,600
2042-2046	\$ 3,175,000	\$ 406,750	\$ 3,581,750
TOTAL	\$ 38,453,030	\$ 16,490,729	\$ 54,943,759

Business-Type Activities

Long-term liabilities of the City's business-type activities consist of 1) revenue and general obligation bonds, 2) compensated absences, 3) notes and loans payable to state and local government agencies, 4) closure and post-closure care liability for the City's landfill, 5) capital Leases 6) total Other Post-Employment Benefits (OPEB) Liability, 7) Net Pension Liability (NPL) and 8) Local Improvement Districts (LID's) with commitments. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long-Term Business Type Liabilities and Debt which includes changes to long-term liability activities for 2021.

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

New debt Issued – As mentioned above, in 2020 the City utilized the State Treasurer's Office Local Program to finance the construction of two new fire stations. Loans and notes are considered obligations of the general government and will be repaid with general governmental revenue sources. In 2021 the city issued a new Electric Revenue Improvement bond. The bond was issued to carry out plans for additions and betterments to and extensions of the Electric Utility. That includes Capital Improvement Plan projects related to infrastructure acquisition, system improvements, renewals and replacements, advanced Metering Infrastructure, line extensions, substation improvements and Gateway Substations.

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

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

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

The City's closure/post-closure operations plan is to proceed in two phases. Closure of the first phase was completed in 2011. While monitoring and maintenance activities are taking place on the first phase area, true post closure care will not commence until both phases are closed. As of the end of 2021, the second phase landfill cell was completely full. A new cell has been opened and is currently in use. As of December 31, 2021, the City had sufficient funds set aside to fund the projected \$3,879,200 construction costs of the second phase closure and \$2,199,400 in new phase closure infrastructure and provide approximately 6% of the post-closure care. Cash and investments of \$6,389,989 or 56.26% of required reserves, have been accumulated. The post-closure care of the current landfill site is estimated to cost \$5,280,000 in current dollars. The additional \$4,968,611 in reserves necessary to complete the 30 years of post-closure care will be funded through operations.

The City's waste management software tracked 84,199 tons of waste accepted in 2021. The current year expense for the related use of available volume was \$408,752. Also during 2021, the estimate of closure cost was updated, which resulted in the recognition an additional expense of \$757,369.

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

Total OPEB Liability – As noted in the governmental activities section, the City reported an overall TOL of \$17,656,764. The TOL related to business type activities is \$1,896,850. The current portion of the TOL for business type activities is \$159,938.

Net Pension Liability – As per GASB 68 the City is required to report a proportionate share of the State's pension liability from the PERS 1, 2 and 3, and from LEOFF 1 and 2 State Pension Plans. PERS plan 1 has Net Pension Liabilities (NPL) that are reflected in the table on the following page. The City's share of the Net Pension Liability for PERS 1 is \$2,299,742, of which \$1,287,139 is allocated to business-type activities based on contributions of each fund. Governmental Funds are only reported on the Statement of Net Position however proprietary funds have recorded their share of the liability in the fund financial statements.

Special Assessment Debt – The City has one LID with ongoing commitments. The City issued the LID titled 2017 ULID bonds in the Water and Sewer Funds to finance improvements related to Reata LID 197. The Water

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and Sewer Funds are fully obligated to repay the bonds. Current and delinquent assessments receivable in the Water and Sewer Funds are disclosed in Note 1 under the heading "Assessments".

The following tables provide a comprehensive record of all long-term liabilities for business-type activities as of December 31, 2021:

SCHEDULE OF LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES								
REVENUE BONDS								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2021	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/21	DUE WITHIN ONE YEAR
2013 B Electric Revenue- Capital Improvement and Refunding	2.00%-5.00%	11/1/2042	19,455,000	15,465,000		635,000	14,830,000	665,000
2015 Electric Utility Revenue Bonds	2.00%-4.75%	11/1/2045	19,435,000	18,835,000		455,000	18,380,000	460,000
2018 Electric Revenue Improvement & Refunding	3.00%-5.00%	11/1/2047	19,800,000	17,095,000		1,775,000	15,320,000	1,865,000
2019A Electric Revenue Improvement & Refunding	4.00%-5.00%	11/1/2044	12,525,000	12,230,000		255,000	11,975,000	270,000
2019T (Taxable) Electric Revenue & Refunding	2.23%-3.21%	11/1/2033	3,145,000	3,145,000		-	3,145,000	-
2009-Water/Sewer Improvement & Refunding	2.50%-5.125%	12/1/2038	21,975,000	1,550,000		1,550,000	-	-
2012 Water Wastewater Improvement & Refunding	2.00%-4.00%	11/1/2034	7,540,000	5,500,000		330,000	5,170,000	345,000
2014 Waterworks Revenue & Refunding	2.00%-4.00%	11/1/2023	9,985,000	4,135,000		1,565,000	2,570,000	1,630,000
2017 Wasteworks Utility Revenue & Refunding Bonds	2.00%-5.00%	11/1/2042	12,455,000	12,215,000		105,000	12,110,000	265,000
2021 Electric Revenue Improvement Bond	3.00%-4.00%	11/1/2046	6,415,000	-	6,415,000	-	6,415,000	-
TOTAL REVENUE BONDED DEBT							89,915,000	5,500,000
GENERAL OBLIGATION DEBT ISSUED FOR BUSINESS-TYPE ACTIVITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2021	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/21	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1998 LTGO Refund, 1996 Golf Course Ref)	2.00%- 4.30%	12/1/2039	4,460,000	3,445,000		120,000	3,325,000	125,000
2013A LTGO - Broadband Portion to construct a fiber optic structure to support communications network	1.125%-4.00%	12/1/2037	1,200,000	1,200,000		-	1,200,000	-
2013B LTGO - Broadband Portion to construct a fiber optic structure to support communications network	0.38%-3.50%	12/1/2027	1,165,000	580,000		80,000	500,000	80,000
TOTAL GENERAL OBLIGATION BONDED DEBT FOR BUSINESS-TYPE ACTIVITIES							5,025,000	205,000

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OTHER BUSINESS-TYPE LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2021	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/21	DUE WITHIN ONE YEAR
PWTF #PW-03-691-020 Water Main Replacement	0.50%	7/1/2023	8,755,000	1,519,984		506,661	1,013,323	506,661
DWSRF Loan #02-65102-039 Rchld Wellfield Disinfection	1.00%	10/1/2023	1,984,802	348,391		116,130	232,261	116,130
DWSRF Loan #02-65102-040 Rchld Wellfield Capacity	1.00%	10/1/2023	978,117	172,609		57,536	115,073	57,536
DWSRF Loan #03-65103-045 Badger Mountain Pump Station	1.50%	10/1/2024	580,000	145,000		36,250	108,750	36,250
DWSRF Loan #DM09-952-029 Horn Rapids Water Reservoir	1.50%	10/1/2029	3,030,000	1,444,642		160,516	1,284,126	160,516
DWSR Loan #DWL23484	1.00%	10/1/2042	60,993	213,981	1,144,957	727,490	631,447	4,301
Dept of Ecology Loan #L97000040 for Development of Stormwater Comprehensive Plan	4.30%	3/1/2024	145,776	36,353		9,840	26,513	10,268
Dept. of Ecology Recovery Act Loan L1000013 Aeration Basin Project Wastewater	2.90%	5/27/2031	1,538,338	997,480		74,161	923,319	76,340
HAEIF Loan #58-01-01 - Broadband Fund -Fiber Network	3.00%	7/1/2021	200,000	11,640		11,640	0	-
Landfill Compactor Lease (Q000106371-7)	4.95%	5/17/2023	312,046	452,777	-	62,409	390,368	64,259
Landfill Dozer Lease	3.85%	4/20/2026	229,405	332,088	-	29,069	303,019	30,188
Landfill Articulated Truck Lease	3.85%	4/20/2025	137,038	330,912	-	20,539	310,373	21,330
PC20-96103-049 Solid Waste Public Works Loan	1.58%	6/1/2039	34,560	3,789,474		210,526	3,578,947	210,526
Liability for Landfill Closure			N/A	7,840,263	1,166,121	-	9,006,384	-
Compensated Absences			N/A	2,389,386	1,992,518	2,084,056	2,297,848	1,148,924
Net Pension Liability- State PERS/LEOFF Plans			N/A	5,024,498		3,737,359	1,287,139	-
Total OPEB Liability - City Post Emp Healthcare			N/A	2,080,624		183,774	1,896,850	159,938
Capital Lease #202415000 - 2017 Pierce Enforcer Pumper Truck			632,812	264,733		130,353	134,380	134,380
TOTAL OTHER BUSINESS-TYPE LIABILITIES							23,540,121	2,737,547
TOTAL BUSINESS-TYPE LIABILITIES							112,065,121	8,442,547

In the Statement of Net Position for Business-Type Activities - Enterprise Funds, the long-term portion of the bonds payable are reported net of unamortized discounts and premiums. Bond issuance costs are reported as expense in the year paid. For the year ended December 31, 2021, the amount reported in the Statement of Net Position as bonds payable is as follows:

BONDED DEBT	ELECTRIC	WATER	SEWER	STORM-WATER	*GOLF COURSE	*BROADBAND	TOTAL
Current Portion	\$ 3,260,000	\$ 1,987,100	\$ 1,537,900	\$ 30,000	\$ 125,000	\$ 80,000	\$ 7,020,000
Long-Term Portion	\$ 66,805,000	\$ 10,663,734	\$ 6,281,266	\$ 665,000	\$ 3,200,000	\$ 1,620,000	\$ 89,235,000
Net unamortized premiums and discounts	\$ 7,518,182	\$ 1,259,850	\$ 833,473	\$ 89,890	\$ 47,317	\$ (23,705)	\$ 9,725,005
Net Long-Term Portion	\$ 74,323,182	\$ 11,923,584	\$ 7,114,739	\$ 754,890	\$ 3,247,317	\$ 1,596,295	\$ 98,960,005
Total Reported Liability	\$ 77,583,182	\$ 13,910,684	\$ 8,652,639	\$ 784,890	\$ 3,372,317	\$ 1,676,295	\$ 105,980,005

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

The annual debt service requirements to maturity as of the fiscal year ended December 31, 2021 for business-type debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

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SCHEDULE OF DEBT SERVICE FOR BUSINESS TYPE ACTIVITIES			
YEAR ENDING DECEMBER 31	PRINCIPAL	INTEREST	TOTAL
2022	\$ 7,163,201	\$ 4,216,188	\$ 11,379,389
2023	\$ 5,680,410	\$ 3,978,718	\$ 9,659,128
2024	\$ 4,058,226	\$ 3,794,406	\$ 7,852,632
2025	\$ 4,151,032	\$ 3,646,560	\$ 7,797,592
2026	\$ 4,295,964	\$ 3,484,936	\$ 7,780,899
2027-2031	\$ 23,447,318	\$ 14,707,110	\$ 38,154,428
2032-2036	\$ 25,715,493	\$ 9,734,667	\$ 35,450,160
2037-2041	\$ 18,274,441	\$ 4,744,979	\$ 23,019,420
2042-2046	\$ 10,691,572	\$ 1,212,994	\$ 11,904,566
2047	\$ 320,000	\$ 12,000	\$ 332,000
TOTAL	\$ 103,797,658	\$ 49,532,557	\$ 153,330,215

The following table presents debt coverage ratios for parity debt in the water, sewer, and stormwater funds. As of December 31, 2021, bonds on parity with 2017 Waterworks Utility and Revenue Bonds include 2012 Water Wastewater Improvement & Refunding Bonds and 2014 Waterworks Revenue & Refunding Bonds.

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

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

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

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

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

PTO is accrued when incurred in the government-wide and proprietary fund financial statements. PTO, which may be accumulated up to 500 hours for PERS 1 employees and 800 hours for PERS 2 and 3 employees, is payable upon resignation, retirement or death. On December 31, 2021, the City’s accrued vacation, PTO and sick leave amounted to \$5,915,925. This amount includes \$526,739 of internal services funds that are allocated within the business-type activities.

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

NOTE 5. FINANCIAL GUARANTEES AND PLEDGED REVENUES

In 2015 the City worked with the Richland Public Facility District (PFD) to complete a current refunding of \$5,280,000 of the PFD’s outstanding 2004 limited tax general obligation bonds. The City was involved in the refunding because debt service on the 2004 bonds was guaranteed by the City through a “Contingent Loan Agreement”, dated January 13, 2004, between the City and the PFD, whereby the City irrevocably pledged its full faith, credit and resources to make loans to the PFD in the event that the PFD could not meet the payments on the bonds. The City agreed to a new contingent loan agreement with the PFD to offer the same guarantee for the 2015 bond issue. The obligation of the City to make loans to the PFD for debt service shall terminate upon payment in full of the principal and interest on all outstanding bonds. The repayment terms of the loan agreement mandate repayment of interest and principal to the City from available pledged revenues of the PFD. To date all scheduled bond payments of principal and interest have been paid by the PFD and the City has not made loans to the PFD. Based on projections of the PFD’s pledged revenues, the City does not anticipate that it will be necessary to make loans to the district. As of December 31, 2021, the outstanding principal of the PFD’s 2015 General Obligation refunding bonds is \$3,310,000.

In addition to the Contingent Loan Agreement, the City pledged \$125,000 annually from its lodging tax revenues in support of debt service on the aforementioned PFD bonds. This amount is transferred annually until the bonds are retired in 2028. In 2021, the \$125,000 lodging tax pledged toward the bonds, as a percentage of total lodging tax revenues and as a percentage of the PFD’s annual debt service, was 10.4% and 25.3%, respectively.

NOTE 6. LEASE COMMITMENTS

Operating Leases - The City has utilized an operating lease as a competitive alternative for purchasing and maintaining certain equipment. Currently, the City has an operating lease for a Pitney Bowes Inserter/Postage machine. Total cost for this lease was \$18,516 for year ended December 31, 2021.

The future minimum lease payments for these leases are displayed in the following table:

OPERATING LEASE		
YEAR	Pitney Bowes Sorter/Inserter Postage	TOTAL LEASE PAYMENTS PER YEAR
2021	18,516	18,516
TOTAL	\$ 18,516	\$ 18,516

Capital Leases - The City utilized lease agreements to finance certain pieces of equipment. These leases qualify as capital leases for accounting purposes, therefore they have been recorded at the present value of their future minimum lease payments as of the inception date. There were four active capital leases as of December 31, 2021.

Assets acquired through capital leases are as follows:

LEASED ASSETS - BUSINESS-TYPE ACTIVITIES	
ENFORCER PUMPER TRUCK	632,479
CATAPILLER COMPACTOR	746,241
CATAPILLER D6R DOZER	354,601
CATAPILLER ARTICULATED TRUCK	359,210
LESS ACCUMULATED DEPRECIATION	(301,939)
TOTAL	\$ 1,790,593

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

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CAPITAL LEASES - BUSINESS-TYPE ACTIVITIES					
YEAR	ENFORCER PUMPER TRUCK	CATAPILLER COMPACTOR	CATAPILLER D6R DOZER	ARTICULATED TRUCK	TOTAL LEASE PAYMENTS PER YEAR
2022	138,533	80,909	41,854	33,279	294,575
2023		340,909	41,854	33,279	416,042
2024			41,854	33,279	75,133
2025			41,854	33,279	75,133
2026			41,854		41,854
2027					-
TOTAL MINIMUM LEASE PAYMENTS	\$ 138,533	\$ 421,818	\$ 209,271	\$ 133,116	902,738
LESS: INTEREST	(4,152)	(31,450)	(46,253)	(42,743)	(124,598)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 134,381	\$ 390,368	\$ 163,019	\$ 90,373	\$ 778,140

NOTE 7. INTERFUND TRANSFERS

The following table provides a summary of interfund transfers for the year ended December 31, 2021.

Transferred From...	Transferred To...							
	General Fund	Streets Construction Fund (301)	General Governmental Construction Fund (385)	Governmental Funds (101, 216, 217, 317, 318)	Major Enterprise Funds (403)	Other Enterprise Funds (407 & 408)	Internal Service Funds (503)	Total
General Fund		\$ 930,000	\$ 642,500	\$ 1,965,984		\$ 605,000	\$ 111,974	\$ 4,255,458
Other Governmental Funds	563,192	5,969,036		3,051,987	8,090	47,666	124,164	\$ 9,764,134
Major Enterprise Funds						55,000		\$ 55,000
Other Enterprise Funds				23,369			31,234	\$ 54,603
Internal Service Funds		20,477						\$ 20,477
Total	\$ 563,192	\$ 6,919,513	\$ 642,500	\$ 5,041,340	\$ 8,090	\$ 707,666	\$ 267,372	\$ 14,149,672

In 2021, the City's enterprise operations paid a total of \$10,860,067.56 in Occupation Taxes to the City's General and Streets Funds. In accordance with GASB Statement No. 34, the expense is reflected as an operating expense in the Fund financial statements, while payments of this nature are to be reported on the City's Government-wide Statement of Activities as transfers. Therefore, the amount of transfers reported on the General and Street Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance are different by this amount.

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

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Purpose: Reimbursement of expenses accounted for in one fund with revenues accounted for in another fund and/or required contributions.					
Transferred From...		Transferred To...			
			Other Governmental Funds	Other Enterprise Funds	Total
			Streets	Medical Services	
General Fund		\$ -	\$ 355,520	\$ 550,000	\$ 905,520
Other Governmental Funds	Transportation Benefit District	-	139,646	-	139,646
	Criminal Justice	69,871	-	-	69,871
Total		\$ 69,871	\$ 495,166	\$ 550,000	\$ 1,115,037

Purpose: Debt service and/or contributions toward capital and other improvements														
Transferred From...		Transferred To...												
		Major Governmental Funds				Other Governmental Funds						Major Enterprise Funds	Other Enterprise Funds	Internal Service Funds
		General Fund	Street Construction	General Govt Construction	Industrial Development	LTGO Bonds Debt Service	Fire Station 74 Debt Service	Park Project Construction	Library Debt Service	Fire Station 75 Construction	Fire Station 73 Construction	WasteWater	Broadband	Equipment Replacement
General Fund		\$ -	\$ 930,000	\$ 642,500	\$ -	\$ 707,083	\$ 663,381	\$ -	\$ -	\$ 8,601	\$ 231,399	\$ -	\$ 55,000	\$ 111,974
Other Governmental Funds	Streets	-	-	-	-	-	-	-	-	-	-	-	-	69,455
	Transportation Benefit District	-	1,196,652	-	-	-	-	-	-	-	-	-	-	-
	Park Reserve	45,000	-	-	-	69,005	-	500,000	-	-	-	-	-	-
	Industrial Development	-	1,892,134	-	-	-	-	-	-	-	-	8,090	47,666	-
	Public Safety Sales Tax	-	-	-	-	-	-	10,000	-	-	-	-	-	54,708
	Hotel/Motel Tax	178,321	-	-	-	-	-	-	-	-	-	-	-	178,321
	CDBG	-	230,139	-	-	-	-	-	-	-	-	-	-	230,139
	Special Assessment Debt Service	-	-	-	-	-	-	-	64,915	-	-	-	-	-
	Capital Improvement	270,000	2,650,111	-	33,754	718,033	-	1,465,000	-	-	-	-	-	-
	Fire Station 75 Construction	-	-	-	-	-	-	-	-	-	51,634	-	-	-
Electric Fund		-	-	-	-	-	-	-	-	-	-	-	30,000	-
Water Fund		-	-	-	-	-	-	-	-	-	-	-	20,000	-
Sewer Fund		-	-	-	-	-	-	-	-	-	-	-	5,000	-
Other Enterprise Funds	Ambulance	-	-	-	-	-	-	-	-	-	-	-	-	31,234
	Broadband	-	-	-	-	23,369	-	-	-	-	-	-	-	-
Internal Service Funds		-	20,477	-	-	-	-	-	-	-	-	-	-	-
PW Admin Eng		-	-	-	-	-	-	-	-	-	-	-	-	-
Total		\$ 493,321	\$ 6,919,513	\$ 642,500	\$ 33,754	\$ 1,517,490	\$ 663,381	\$ 1,975,000	\$ 64,915	\$ 8,601	\$ 283,033	\$ 8,090	\$ 157,666	\$ 267,372

NOTE 8. RISK MANAGEMENT

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

Washington Cities Insurance Authority (WCIA)

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

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

Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

The City of Richland paid \$1,827,724 in premiums for coverage in 2021.

Employee Benefits, Workers' Compensation, and Unemployment

Medical, Dental and Vision Insurance Benefits - The City offers comprehensive medical coverage on a self-insured basis. Reinsurance for medical benefits is provided by QBE Insurance Corporation. Dental benefits are entirely self-insured. Vision coverage is a fully funded program. Both the City and the employee share in the premium cost of medical and dental benefits. Medical and dental benefits are administered by Cigna Health and Life Insurance Company. Stop Loss coverage is provided by QBE Insurance Corporation. The Stop Loss premium was \$769,454 in 2021, of which \$56,913 was allocated to retiree coverage in the Post-employment Healthcare Plan. Vision coverage is provided by Vision Service Plan. The City accounts for all of these activities in an internal service fund, the Employee Benefits Fund. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier.

Medical, dental and vision coverage requires all claims to be submitted and paid within one year of the service date. Due to the short time frame, liabilities for outstanding payments have not been discounted. There have been no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. All City healthcare claims are processed through this fund and monthly journal entries are completed to move retiree claims to the Post Employment Healthcare Plan Fund. The City records estimates of incurred but not reported claims as an expense offset by liability for estimated claims payments. The basis for estimating liabilities for unpaid claims and administrative expense is based on an average of the prior 24 months of fund expense. The fund maintains a reserve for estimated claims outstanding at year end and the related administrative expense. The reserve was decreased by \$136,800 in 2021 and is based on an estimated sixteen weeks of fund expense.

As of December 31, 2021, the estimated claims reserve has \$2,474,400 set aside for estimated claims liabilities. Settlements have not exceeded available resources for these benefits in the previous three years.

The following is a reconciliation of changes in the aggregate liabilities for healthcare claims for the fiscal years 2019 through 2021:

EMPLOYEE HEALTHCARE BENEFITS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2021	2,611,200	8,484,126	(136,800)	8,347,326	2,474,400
2020	2,240,000	8,858,502	371,200	9,229,702	2,611,200
2019	2,369,000	8,076,506	(129,000)	7,947,506	2,240,000

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

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

Workers' Compensation and Unemployment - The City is self-insured for worker injury claims. Claims exceeding the per-occurrence self-insured retention of \$400,000/\$500,000 are transferred to our reinsurer, Midwest Employers Casualty Company.

Unemployment claims are self-insured with the City retaining all risk for claims. Workers' Compensation and Unemployment activities are accounted for in the Workers' Compensation and Unemployment internal service funds, respectively. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier. The basis for estimating liabilities for unpaid claims is based on an analysis of the subsequent year's claims processed for activities incurred in the current year. There are no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. The Workers' Compensation Fund and Unemployment Fund have \$133,056 and \$40,078, respectively set aside in reserves for potential incurred but not reported claims.

The following tables reflect a reconciliation of changes in the aggregate liabilities for claims for the fiscal years 2019 through 2021:

WORKERS COMPENSATION CLAIMS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2021	52,100	670,247	80,956	670,247	133,056
2020	78,852	385,832	(26,752)	385,832	52,100
2019	119,687	430,557	(40,835)	430,557	78,852
UNEMPLOYMENT CLAIMS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2021	12,969	55,474	27,109	55,474	40,078
2020	26,825	51,877	(13,856)	51,877	12,969
2019	24,418	73,909	2,408	73,909	26,825

NOTE 9. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

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

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	\$ (17,656,764)
Deferred Outflows of Resources	860,361
Deferred Inflows of Resources	(947,382)
OPEB Expenses/Expenditures	752,776

Post-Employment Healthcare Plan- Citywide

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At December 31, 2020 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	53
Inactive employees entitled to but not yet receiving benefit payments	-
Active Employees	88
Total	141

Changes to the Plan

The OPEB plan was closed to new participants December 31, 2012. In an effort to reduce the size and scope of the plan, the City offered active participants an opportunity to opt out of the existing plan and receive a contribution to a Retiree Health Savings (RHS) account equal to 1% of annual salary for each year in the plan since 2003. The City will continue to fund the RHS accounts with a 1% salary contribution annually and the

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employee is required to contribute ½% of annual salary to the plan. Effective January 1, 2013, all eligible new employees participate in the RHS plan, funded by a 1% of salary contribution from both the City and the employee. Employees that remain in the OPEB plan are required to contribute 1% of salary to a Retirement Health Savings plan. The efforts to reduce plan participants has been effective and the number of active participants since 2013 has been reduced by seventy four percent. The following table reflects the change in active plan participants, retirees and beneficiaries, and the amount of opt out payments made from reserves in the plan.

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

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

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

Contributions

The Post-Employment Health Insurance Program is funded on a pay-as-you-go basis. The City pays benefits as they come due. There are no assets accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits. Contributions for the reporting period were \$761,924 (including implicit subsidy credit).

Total OPEB Liability

The City's total OPEB liability was valued as of December 31, 2020, and was used to calculate the total OPEB liability measured as of December 31, 2021. The following is a summary of changes in the Total OPEB liability for fiscal year 2021:

Changes in the Total OPEB Liability	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2020	\$ 9,317,685
Changes for the year:	
Service Cost	322,534
Interest	185,186
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(132,461)
Changes of Assumptions	77,997
Contributions	-
Net Investment Income	-
Benefit Payments	(318,227)
Implicit Rate Subsidy Fulfilled	(443,697)
Other Miscellaneous Income/(Expense)	-
Net Changes	(308,668)
Balance as of Report Date December 31, 2021	\$ 9,009,017

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Discount Rate	2.00%	1.84%
Inflation	2.75%	2.75%
Healthcare Cost Trend Rates		
Pre-Medicare	7.00%	6.50% *
Salary Increases	3.50%	3.50% **
Mortality Rates	Based on SOA tables	

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

*Trending down to 4.04% over 53 years. Applies to calendar years.

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

Discount Rate

The discount rate used to measure the total OPEB liability is 1.84%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Sensitivity of the total OPEB liability changes in the discount rate

The following table presents City's total OPEB liability calculated using the current discount rate (1.84%) as well as what the TOL would be if it were calculated using a discount rate that is one percentage point lower (0.84%) or one percentage point higher (2.84%) than the current rate.

	1% Decrease	Discount Rate	1% Increase
	0.84%	1.84%	2.84%
Total OPEB Liability (Asset)	\$ 9,502,307	\$ 9,009,017	\$ 8,526,897
Increase (Decrease)	493,290		(482,120)
% Change	5.5%		-5.4%

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

The healthcare cost trend for this valuation started at 6.50% and decreased to 4.04% over 53 years. The following table presents City's total OPEB liability calculated using the current healthcare cost trend rate (6.50%) as well as what the TOL would be if it were calculated using healthcare trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than current trend rate.

	1% Decrease	Trend Rate	1% Increase
	5.50%	6.50%	7.50%
Total OPEB Liability (Asset)	\$ 8,188,531	\$ 9,009,017	\$ 9,945,579
Increase (Decrease)	(820,486)		936,562
% Change	-9.1%		10.4%

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

For the year ended December 31, 2021, the City recognized an OPEB expense of \$540,630. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Actual and Expected Experience	\$ 102,544	\$ (622,764)
Changes of Assumptions	757,817	(324,618)
Total	\$ 860,361	\$ (947,382)

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

<u>Report Year Ending December 31:</u>	<u>Amount</u>
2022 \$	32,910
2023	32,910
2024	(11,828)
2025	(106,859)
2026	(31,560)
Remaining	(2,594)

Current Liability

	<u>Amount</u>
Current OPEB Liability \$	759,618
Non-Current OPEB Liability	8,249,399
Total OPEB Liability \$	9,009,017

Expected Average Service Lives (EASRL)

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EASRL) for the current period is 6.3 years.

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

Plan Description

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

Benefits Provided

As mandated by RCW 41.26, RCW 41.18 and RCW 41.20, the City reimburses 100% of allowable healthcare costs for LEOFF 1 retirees. All firefighters and law enforcement officers employed between 3/1/70 and 10/31/77 are members of a single employer defined benefit OPEB plan and are provided lifetime insurance coverage for medical, hospital and nursing home care costs. These benefits are accounted for in Police and Fire Pension and Relief Funds and are considered, in substance, a postemployment healthcare plan administered by, but not

part of, the Police and Fire Pension Plans. Extraordinary health and dental expenses, as determined by the Pension Board, require prior approval. Insurance policies for this benefit are underwritten as part of the City's overall insurance program. The LEOFF 1 OPEB plans are closed to new entrants.

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

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

Employees Covered by Benefit Terms

At December 31, 2020 (the census date), the benefit terms covered the following employees:

Category	Fire Fighters	Police Officers
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	23	28
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active Employees	-	-
Total	23	28

Contributions

The City contributes an amount to the fund equal to the benefits paid. Contributions for the reporting period were \$289,748 for LEOFF 1 Fire and \$164,788 for LEOFF 1 Police.

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

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

Total OPEB Liability

The City's total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police was valued as of December 31, 2020, and was used to calculate the total OPEB liability measured as of December 31, 2021.

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Discount Rate	2.00%	1.84%
Inflation	2.75%	2.75%
Healthcare Cost Trend Rates		
Pre-Medicare	7.00%	6.50% *
Medicare	5.40%	5.40% *
Salary Increases	n/a	n/a
Mortality Rates	Based on SOA tables	

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

** Trending down to 4.04% over 53 years. Applies to calendar years.*

Discount Rate

The discount rate used to measure the total OPEB liability was 1.84%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Basis of Accounting

The fund financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. The City's contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan and all plan investments are reported at fair market value as of December 31, 2021.

Funding Policy

The City does not require retiree contributions. All fire and police Pension funding is reported in the General Fund in the City's financial statements. These funds provide for both OPEB and pension benefits to LEOFF 1 employees. Contributions for the fire plan are derived from an annual property tax levy of up to \$ 0.2250 per

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\$1,000 of assessed property value. In addition, on an annual basis, the State contributes a fixed amount based on the number of active firefighters per RCW 41.16.050(2). Contributions for the police plan are derived from contributions by the City's General Fund. The City contributes the cost of medical claims paid on behalf of members of both plans through the Employee Benefit Fund. Contributions are recognized when they are earned and become measurable.

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

The following tables show the changes in total OPEB liability during fiscal year 2021:

Changes in the Total OPEB Liability (LEOFF 1 Fire)	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2020	\$ 4,039,296
Changes for the year:	
Service Cost	-
Interest	77,889
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	31,452
Changes of Assumptions	61,816
Benefit Payments	(289,748)
Implicit Subsidy Credit	-
Other Changes	-
Net Changes	(118,591)
Balance as of Report Date December 31, 2021	\$ 3,920,705

Changes in the Total OPEB Liability (LEOFF 1 Police)	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2020	\$ 4,850,841
Changes for the year:	
Service Cost	-
Interest	95,369
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(127,624)
Changes of Assumptions	73,244
Benefit Payments	(164,788)
Implicit Subsidy Credit	-
Other Changes	-
Net Changes	(123,799)
Balance as of Report Date December 31, 2021	\$ 4,727,042

Sensitivity of the total OPEB liability changes in the discount rate

The following table presents Total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police calculated using the current discount rate (1.84%) as well as what the TOL would be if it were calculated using a discount rate that is one percentage point lower (0.84%) or one percentage point higher (2.84%) than the current rate.

LEOFF 1 Fire	1% Decrease	Discount Rate	1% Increase
	0.84%	1.84%	2.84%
Total OPEB Liability (Asset)	\$ 4,346,953	\$ 3,920,705	\$ 3,559,432
Increase (Decrease)	426,248		(361,273)
% Change	10.9%		-9.2%
LEOFF 1 Police	1% Decrease	Discount Rate	1% Increase
	0.84%	1.84%	2.84%
Total OPEB Liability (Asset)	\$ 5,229,830	\$ 4,727,042	\$ 4,297,780
Increase (Decrease)	502,788		(429,262)
% Change	10.6%		-9.1%

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

The healthcare cost trend for this valuation started at 6.50% and decreased to 4.04% over 53 years. The following table presents Total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police calculated using the current healthcare cost trend rate (6.50%) as well as what the TOL would be if it were calculated using healthcare trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate.

LEOFF 1 Fire	1% Decrease	Trend Rate	1% Increase
	5.50%	6.50%	7.50%
Total OPEB Liability (Asset)	\$ 3,547,996	\$ 3,920,705	\$ 4,351,196
Increase (Decrease)	(372,709)		430,491
% Change	-9.5%		11.0%
LEOFF 1 Police	1% Decrease	Trend Rate	1% Increase
	5.50%	6.50%	7.50%
Total OPEB Liability (Asset)	\$ 4,283,612	\$ 4,727,042	\$ 5,235,751
Increase (Decrease)	(443,430)		508,709
% Change	-9.4%		10.8%

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

For the report year ended December 31, 2021, the LEOFF 1 Fire and LEOFF 1 Police recognized OPEB expense of \$171,157 and \$40,989 respectively. On December 31, 2021, the LEOFF 1 Fire and LEOFF 1 Police reported \$0 deferred outflows of resources related to OPEB and \$0 deferred inflows of resources related to OPEB.

Current Liability

	LEOFF 1 Fire	LEOFF 1 Police
Current OPEB Liability	\$ 256,911	\$ 291,392
Non-Current OPEB Liability	3,663,794	4,435,650
Total OPEB Liability	\$ 3,920,705	\$ 4,727,042

Expected Average Service Lives (EARSL)

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

NOTE 10. PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68 - Accounting and Financial Reporting for Pensions and GASB Statement 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 for the year 2021:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (6,983,853)
Pension assets	\$ 51,708,909
Deferred outflows of resources	\$ 5,080,785
Deferred inflows of resources	\$ (39,030,920)
Pension expense/expenditures	\$ (9,548,451)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS 1

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

Contributions – PERS 1 - The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 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	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%

PERS 2 and 3

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

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

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

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

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

PERS Plan 2/3		
Actual Contribution Rates	Employer	Employee
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%

The City's actual PERS plan contributions were \$1,314,404 to PERS Plan 1 and \$2,184,355 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 1

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

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

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

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

LEOFF 2

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

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and State contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 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%
July - December 2021:		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%

The City's actual contributions to the plan were \$853,461 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 \$550,576.

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:** 7.40%

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 Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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 7.40 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 7.40% on pension plans investments was applied to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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 2.20% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

Sensitivity of the Net Pension Liability/(Asset)

The following table presents the City's proportionate share of the net pension liability calculated using the current discount rate of (7.40%), as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate.

Plan	1% Decrease (6.40%)	Current Rate (7.40%)	1% Increase (8.40%)
PERS 1	\$ 3,917,741	\$ 2,299,742	\$ 888,681
PERS 2/3	(6,865,742)	(24,100,420)	(38,293,184)
LEOFF 1	(3,817,296)	(4,240,195)	(4,606,074)
LEOFF 2	(14,736,063)	(23,368,295)	(30,463,371)

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 a total pension liability of \$2,299,742 and a total pension asset of (\$51,708,909) for its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability (Asset)
PERS 1	\$ 2,299,742
PERS 2/3	(24,100,420)
LEOFF 1	(4,240,195)
LEOFF 2	(23,368,295)

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

Proportionate Share	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (4,240,195)	\$ (23,368,295)
State's proportionate share of the net pension asset associated with the employer	(28,680,573)	(15,075,101)
Total	(32,920,768)	(38,443,396)

At June 30, 2021, 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	0.195936%	0.188313%	-0.007623%
PERS 2/3	0.255753%	0.241933%	-0.013820%
LEOFF 1	0.127127%	0.123781%	-0.003346%
LEOFF 2	0.410844%	0.402318%	-0.008526%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2021, 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:

Plan	Pension Expense
PERS 1	\$ (701,595)
PERS 2/3	(5,610,893)
LEOFF 1	(568,862)
LEOFF 2	(2,808,127)
Total	(9,689,476)

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:

City of Richland, Washington
Annual Comprehensive Financial Report
Notes to the Financial Statements
For the Year Ended December 31, 2021

PERS PLAN 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(2,551,944)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contribution	-	-
Contributions subsequent to the measurement date	634,645	-
TOTAL	634,645	(2,551,944)

PERS PLAN 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,170,523	\$ (295,448)
Net difference between projected and actual investment earnings on pension plan investments	-	(20,142,298)
Changes of assumptions	35,218	(1,711,529)
Changes in proportion and differences between contributions and proportionate share of contribution	66,522	(641,461)
Contributions subsequent to the measurement date	1,078,875	-
TOTAL	2,351,138	(22,790,735)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(1,295,641)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contribution	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	(1,295,641)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,059,897	\$ (123,500)
Net difference between projected and actual investment earnings on pension plan investments	-	(11,142,171)
Changes of assumptions	10,102	(1,111,397)
Changes in proportion and differences between contributions and proportionate share of contribution	598,403	(15,532)
Contributions subsequent to the measurement date	426,600	-
TOTAL	2,095,001	(12,392,600)

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,230,419	\$ (418,948)
Net difference between projected and actual investment earnings on pension plan investments	-	(35,132,054)
Changes of assumptions	45,320	(2,822,926)
Changes in proportion and differences between contributions and proportionate share of contribution	664,925	(656,993)
Contributions subsequent to the measurement date	2,140,120	-
TOTAL	5,080,784	(39,030,920)

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 December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2022	\$ (676,010)	\$ (5,653,903)	\$ (344,169)	\$ (2,906,426)
2023	(619,472)	(5,292,012)	(314,805)	(2,703,765)
2024	(585,735)	(5,013,701)	(297,048)	(2,550,644)
2025	(670,727)	(5,386,127)	(339,618)	(2,880,387)
2026		(148,070)		25,237
Thereafter		(24,658)		291,785
Total	(2,551,944)	(21,518,472)	(1,295,641)	(10,724,199)

Firefighter's Pension Plan

Plan Description

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

Benefits Provided

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

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

Employees covered by benefit terms

At December 31, 2020 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	16
Inactive employees entitled to but not yet receiving benefit payments:	0
Active employees:	0
Total	16

Contributions

The City pays benefits as they come due (pay-as-you-go). Therefore there is no set contribution rate. The agency does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board. Contributions for the reporting period were \$115,093.

Financial Report

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

Total Pension Liability

The City's total pension liability was valued as of December 31, 2020, and was used to calculate the total pension liability measured as of December 31, 2021.

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2020	December 31, 2021
Discount Rate	2.00%	1.84%
Inflation	2.75%	2.75%
Salary Increases	3.50%	3.50% Used to project total benefit increases
Mortality Rates	Mortality rates were based on SOA tables.	

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

Discount Rate

Fidelity municipal government-obligation AA-rated 20-year bond index rate was used for the discount rate. The selected rate was 1.84%.

Expected Average Remaining Service Lives (EARSL)

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

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

The following table shows the changes in total pension liability for the Firefighter's Pension Plan during fiscal year 2021:

Changes in the Total Pension Liability (Firefighter's Pension)	Total Pension Liability Increase (Decrease)
Balance as of Report Date December 31, 2020	\$ 1,563,693
Changes for the year:	
Service Cost	-
Interest	30,123
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(4,119)
Changes of Assumptions	17,586
Benefit Payments	(115,093)
Other Miscellaneous Income/(Expense)	-
Net Changes	(71,503)
Balance as of Report Date December 31, 2021	\$ 1,492,190

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

The following table presents City's total pension liability (TPL) for the Firefighter's Pension Plan calculated using the current discount rate (1.84%) as well as what the TPL would be if it were calculated using a discount rate that is one percentage point lower (0.84%) or one percentage point higher (2.84%) than the current rate.

	1% Decrease	Current Rate	1% Increase
	0.84%	1.84%	2.84%
Total Pension Liability (Asset) \$	1,611,031	\$ 1,492,190	\$ 1,388,052
Increase (Decrease)	118,841		(104,138)
% Change	8.0%		-7.0%

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

For the year ended December 31, 2021, the City recognized a pension expense related to firefighter's pension of \$43,590, deferred outflows of resources related to firefighter's pension of \$0, and deferred inflows of resources related to firefighter's pension of \$0.

Current Liability for Firefighter's Pension Plan

	Amount
Current Pension Liability	\$ 117,855
Non-Current Pension Liability	1,374,335
Total Pension Liability	\$ 1,492,190

Police Pension Plan

Plan Description

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

Benefits Provided

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

All members are retired and drawing benefits. Benefit terms provide for cost-of-living adjustments to each member's retirement benefit. There are two types of increases: escalation by salary in proportion to the current salary of the rank from which the police officer retired, or an increase proportionate to the increase in the Seattle-area CPI, with the change computed annually. Regardless of the increase (or decrease) in the CPI, the benefits are increased at least 2% each year. The former applies to police officers who retired from service after 1969, their survivors, and to police officers who retired for duty disability

(but not their survivors) after 1969. The latter applies to all other types of monthly benefits.

Employees covered by benefit terms

At December 31, 2020 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	15
Inactive employees entitled to but not yet receiving benefit payments:	0
Active employees:	0
Total	15

Contributions

The City pays benefits as they become due (pay-as-you-go). Therefore there is no set contribution rate. The agency does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board. Contributions for the reporting period were \$194,664.

Financial Report

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

Total Pension Liability

The City's total pension liability was valued as of December 31, 2020, and was used to calculate the total pension liability measured as of December 31, 2021.

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2020	December 31, 2021
Discount Rate	2.00%	1.84%
Inflation	2.75%	2.75%
Salary Increases	3.50%	3.50% Used to project total benefit increases
Mortality Rates	Mortality rates were based on SOA tables.	

- Experience studies come from the State of Washington 2018 study.

- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.
- There were no changes between the measurement date and the report date that are expected to have a significant effect on the total pension liability.

Discount Rate

Fidelity municipal government-obligation AA-rated 20-year bond index rate was used for the discount rate. The selected rate was 1.84%.

Expected Average Remaining Service Lives (EARSL)

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

Changes in the Total Pension Liability (Police Pension Plan)

The following table shows the changes in total pension liability for the Police Pension Plan during fiscal year 2021:

Changes in the Total Pension Liability (Police Pension)	Total Pension Liability Increase (Decrease)
Balance as of Report Date December 31, 2020	\$ 3,289,149
Changes for the year:	
Service Cost	-
Interest	63,836
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(11,589)
Changes of Assumptions	45,188
Benefit Payments	(194,664)
Other Miscellaneous Income/(Expense)	-
Net Changes	(97,229)
Balance as of Report Date December 31, 2021	\$ 3,191,920

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

The following table presents City's total pension liability (TPL) for the Police Pension Plan calculated using the current discount rate (1.84%) as well as what the TPL would be if it were calculated using a discount rate that is one percentage point lower (0.84%) or one percentage point higher (2.84%) than the current rate.

	1% Decrease	Current Rate	1% Increase
	0.84%	1.84%	2.84%
Total Pension Liability (Asset) \$	3,500,564	\$ 3,191,920	\$ 2,926,244
Increase (Decrease)	308,644		(265,676)
% Change	9.7%		-8.3%

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

For the year ended December 31, 2021, the City recognized pension expense related to police pension of \$97,435, deferred outflows of resources related to police pension of \$0, and deferred inflows of resources related to police pension of \$0.

Current Liability for Police Pension Plan

	Amount
Current Pension Liability \$	202,907
Non-Current Pension Liability	2,989,013
Total Pension Liability \$	3,191,920

NOTE 11. WHOLESALE POWER SUPPLY CONTRACTS

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

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

Since 2002, the City has been a member of Northwest Requirements Utilities (NRU), which represents the power and transmission interests of 55 consumer-owned electric utilities. In anticipation of operating under BPA's new Regional Dialogue Contract for wholesale power and desiring more control over tier 2 power resource options, 22 NRU members established a new entity, NRU-Power Services (NRU-PS), to provide administrative and non-Federal power management services. NRU-PS members include municipalities, public utility districts, and rural cooperatives. In order to accommodate State and organizational legal mandates, the member utilities created two additional entities for the purpose of actual resource acquisition. Northwest Intergovernmental Energy Supply (NIES) represents municipal and public utility district members while Northwest Energy Supply Cooperative (NESC) represents cooperatives. Richland is a NIES member. Both NIES and NESC have agreements allowing NRU-PS to provide all of the necessary administrative functions required to procure non-Federal resources. Richland elected to meet all of its tier 2 requirements through BPA from 2015-2019 and began using a blend of non-federal market purchases supplied by NIES beginning in late 2019. NRU-PS members actively evaluate resource acquisition opportunities, particularly for the post-2019 era. This effort includes considering renewable resources necessary to meet State renewable portfolio standards as part of the Washington State's Energy Independence Act and the Clean Energy Transformation Act (CETA).

Richland is also a long-standing member of Energy Northwest (EN), a joint operating agency with 26 Washington consumer-owned electric utility members. Richland holds less than 2% interest in each of EN's nuclear generating projects 1, 2, and 3. Only Columbia Generating Station (CGS) Project 2 was completed while projects 1 and 3 were terminated. Richland's pro-rata share of EN costs are included in the BPA wholesale priority firm power billings. BPA acquires the output of CGS and reimburses EN for its operating and debt costs under a Direct Pay Agreement. Through a participant agreement, the City remains obligated to pay its share of the cost to retire the bonds for projects 1, 2 and 3 if the Direct Pay Agreement discontinues. Richland may also be obligated to pay, either as a participant or as a member of EN, the costs of project site restoration.

NOTE 12. CONTINGENCIES AND LITIGATIONS

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

Based upon current evaluation of the lawsuits, the City's legal counsel indicates that the City's exposure does not exceed the amount of reserves available for payment. The City is currently actively defending three lawsuits at the trial court level. Of the three lawsuits awaiting trial, one alleges trespass/inverse condemnation, the second alleges an unconstitutional taking and due process violation, and the third is a land use petition seeking reversal of a recent land use decision. The City believes it has defensible positions on these matters, and does not have an approximation of potential liability. Insurance coverage is available for damages awarded, with the exception of punitive damages, which are highly unlikely. In addition, two matters are currently on appeal, with a high likelihood of City's success on the merits.

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

NOTE 13. 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 deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City budgets conservatively and maintains appropriate reserves to help mitigate economic fluctuations and unforeseen events. At this time, there are no known material financial or operational impacts to the City as a result of the COVID-19 pandemic. Management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the City has remained economically stable and continues to adapt to the changing conditions.

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

NOTE 14. SERVICE CONCESSION ARRANGEMENTS

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

Horn Rapids Off-Road Vehicle (ORV) Park

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

HRMC pays the City a percentage of gross receipts from the revenues generated by operation of the ORV Park as follows: 2% of the first \$300,000 in annual gross receipts, and 3% of annual gross receipts exceeding \$300,000. HRMC is required to operate and maintain the ORV Park in accordance with the agreement. At the end of the agreement term HRMC is required to “return the premises to the City in same or better condition, reasonable wear and tear accepted.” As a result, assets provided by the transferee are not currently depreciated. In addition, HRMC constructed and will construct certain improvements to the facilities which may be either permanent or removable in nature. Permanent structures constructed by HRMC on the premises become property of the City upon the expiration of the agreement’s final term. The City reports the ORV Park and related structures as a governmental capital asset with a carrying value of \$4,043,258 at year end, and reports a deferred inflow of resources in the amount of \$2,688,500 related to the structures that have been constructed by HRMC.

NOTE 15. FUND BALANCE CLASSIFICATION

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

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

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Purpose of Restricted, Committed and Assigned Fund Balance, as displayed on the Governmental Funds Balance sheet (Other than debt service)		
Balance Sheet Description	Amount	Purpose
Restricted For:		
Capital Improvements	4,483,725	Real Estate Excise Tax restricted for capital improvements
	744,298	Fire Station 75 Construction
	1,762,813	Acquisition and development of public open space (parks)
	76,275	Restricted by franchise agreement for cable broadcast equipment
	<u>7,067,111</u>	
Public Safety	1,771,050	Public Safety Sales/Criminal Justice Tax restricted to Criminal Justice purposes
	30,575	Police confiscations
	<u>1,801,625</u>	
Economic Environment	370,163	Contingency for performance of Hanford Reach Interpretive Center
	1,008,532	Lodging Tax proceeds restricted for tourism promotion
	881,432	HUD Program for owner occupies housing rehabilitation
	1,881,675	HUD Program for home down payment assistance
	1,683,928	Building Permit Proceeds - unspent
	3,641	Restricted for public art
	<u>5,829,371</u>	
Transportation	22,138	Transportation Improvement District tab fees for bridge & street improvements
	<u>22,138</u>	
Other Purposes	1,339,943	Fire/Police Pensions
	27,073	Police Operations
	<u>1,367,016</u>	
Committed For:		
Capital Improvements	452,951	Library capital improvements
	5,214,279	Park construction projects
	139,008	Streets construction projects
	416,310	Swift Blvd corridor/City Hall Improvements
	<u>6,222,549</u>	
Public Safety	14,278	Police Operations
	25,000	Police - Narcotics investigations
	60,539	Fire Equipment
	<u>99,817</u>	
Economic Environment	115,855	Commercial Improvement Program
	<u>3,995,201</u>	Industrial Development
	<u>4,111,057</u>	
Assigned To:		
Public Safety	51,630	Police operations and special projects
	6,235	Fire Department operations
	<u>57,865</u>	
Transportation	3,584,305	Construction of streets infrastructure
	451,796	Maintenance of streets and rail infrastructure
	<u>4,036,101</u>	

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OTHER POST EMPLOYMENT BENEFITS

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

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

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

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PENSION PLANS

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS - FIRE PENSION								
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	30,123	45,033	59,872	63,404	87,993	92,704	98,363	103,590
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(4,119)	(288,009)	(13,348)	112,317	(208,186)	-	(4,485)	-
Changes of assumptions	17,586	228,116	121,000	173,506	(58,767)	-	-	-
Benefit payments, included refunds of employee contributions	(115,093)	(117,985)	(135,147)	(180,048)	(171,820)	(202,024)	(211,338)	(205,715)
Net change in total pension liability	(71,503)	(132,845)	32,377	169,179	(350,780)	(109,320)	(117,460)	(102,125)
Total pension liability - beginning	1,563,693	1,696,538	1,664,161	1,494,982	1,845,762	1,955,082	2,072,542	2,174,667
Total pension liability - ending	\$ 1,492,190	\$ 1,563,693	\$ 1,696,538	\$ 1,664,161	\$ 1,494,982	\$ 1,845,762	\$ 1,955,082	\$ 2,072,542
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's total pension liability as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Notes to Schedule								
The City adopted GASB 73 for the fiscal year ending December 31, 2018, but adopted GASB 68 for the fiscal year ended December 31, 2014.								
Until a full 10 year trend is compiled, only information for those years available is presented.								
* Covered-employee payroll is the payroll of employees that are provided with pensions through the pension plan (GASB 73, par. 128)								

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION								
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	63,836	96,207	112,867	116,570	133,349	136,198	139,988	143,633
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(11,589)	(532,265)	(41,736)	1,304,898	(658,565)	-	(21,223)	-
Changes of assumptions	45,188	328,481	639,350	(79,437)	(69,702)	-	-	-
Benefit payments, included refunds of employee contributions	(194,664)	(203,468)	(240,122)	(190,512)	(187,470)	(198,894)	(205,925)	(211,450)
Net change in total pension liability	(97,229)	(311,045)	470,359	1,151,519	(782,388)	(62,696)	(87,160)	(67,817)
Total pension liability - beginning	3,289,149	3,600,194	3,129,835	1,978,316	2,760,704	2,823,401	2,910,561	2,978,378
Total pension liability - ending	\$ 3,191,920	\$ 3,289,149	\$ 3,600,194	\$ 3,129,835	\$ 1,978,316	\$ 2,760,705	\$ 2,823,401	\$ 2,910,561
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's total pension liability as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Notes to Schedule								
The City adopted GASB 73 for the fiscal year ending December 31, 2018, but adopted GASB 68 for the fiscal year ended December 31, 2014.								
Until a full 10 year trend is compiled, only information for those years available is presented.								
* Covered-employee payroll is the payroll of employees that are provided with pensions through the pension plan (GASB 73, par. 128)								

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

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

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

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY								
LEOFF RETIREMENT SYSTEM PLAN 2								
As of June 30, 2021								
Last 10 Fiscal Years*								
	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.402318%	0.410844%	0.432599%	0.442011%	0.439701%	0.450464%	0.411289%	0.417449%
Employer's proportionate share of the net pension liability (asset)	(23,368,295)	(8,380,618)	(10,021,991)	(8,973,787)	(6,101,625)	(2,620,034)	(4,227,228)	(5,539,728)
State's proportionate share of net pension liability (asset) associated with employer	(15,075,101)	(5,358,770)	(6,563,061)	(5,810,358)	(3,958,010)	(1,708,071)	(4,227,228)	(5,539,728)
TOTAL	(38,443,396)	(13,739,388)	(16,585,052)	(14,784,145)	(10,059,635)	(4,328,105)	(8,454,456)	(11,079,456)
Covered payroll**	16,219,097	15,580,281	14,984,568	14,593,802	13,754,625	13,646,421	11,937,074	11,617,276
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-144.08%	-53.79%	-66.88%	-61.49%	-44.36%	-19.20%	-35.41%	-47.69%
Plan fiduciary net position as a percentage of the total pension lia	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

Notes to Schedule:
* Presenting information only for those years for which information is available up to 10 years
** Covered payroll is the payroll on which contributions to a pension plan are based

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 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	\$ 1,314,404	\$ 1,437,901	\$ 1,464,462	\$ 1,431,430	\$ 35,334	\$ 48,941	\$ 67,823	\$ 78,321	\$ 96,187	\$ 91,766
Contributions in relation to the statutorily or contractually required contributions*	(1,314,404)	(1,437,901)	(1,464,462)	(1,431,430)	(27,661)	(25,145)	(38,503)	(44,388)	(46,395)	(60,891)
Contribution deficiency (excess)	-	-	-	-	7,673	23,796	29,320	33,933	49,792	30,875
Covered payroll**	\$ 30,401,692	\$ 29,999,312	\$ 29,570,482	\$ 28,284,425	\$ 26,948,293	\$ 25,347,210	\$ 25,380,922	\$ 25,441,133	\$ 24,851,454	\$ 24,625,683
Contributions as a percentage of covered payroll	4.32%	4.79%	4.95%	5.06%	0.13%	0.19%	0.27%	0.31%	0.39%	0.37%

Notes to Schedule
Excess contributions in PERS 1 are due to leave cashouts
* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund PERS 1 UAAL
** Covered payroll is the payroll on which contributions to a pension plan are based

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 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	\$ 2,184,355	\$ 2,375,815	\$ 2,279,911	\$ 2,121,044	\$ 3,183,939	\$ 2,808,191	\$ 2,536,893	\$ 2,302,039	\$ 1,971,093	\$ 1,708,167
Contributions in relation to the statutorily or contractually required contributions	(2,184,355)	(2,375,815)	(2,279,911)	(2,121,044)	(3,183,939)	(2,808,191)	(2,536,893)	(2,302,039)	(1,971,093)	(1,708,167)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll*	\$ 30,401,692	\$ 29,999,312	\$ 29,570,482	\$ 28,284,425	\$ 26,717,377	\$ 25,122,302	\$ 24,998,494	\$ 24,961,610	\$ 24,272,814	\$ 23,771,033
Contributions as a percentage of covered payroll	7.18%	7.92%	7.71%	7.50%	11.92%	11.18%	10.15%	9.22%	8.12%	7.19%

Notes to Schedule
* Covered payroll is the payroll on which contributions to a pension plan are based

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 758	\$ -	\$ -	\$ -
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-	-	-	(109)	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	649	-	-	-
Covered payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,906	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	1.34%	N/A	N/A	N/A

Notes to Schedule
Excess contribution in 2015 is due to corrections for 1980 for time that was not reported for employee
* Covered payroll is the payroll on which contributions to a pension plan are based

City of Richland, Washington
Annual Comprehensive Financial Report
Required Supplementary Information
For the Year Ended December 31, 2021

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 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	\$ 853,461	\$ 817,869	\$ 794,365	\$ 774,994	\$ 735,325	\$ 677,438	\$ 642,151	\$ 614,451	\$ 604,541	\$ 570,531
Contributions in relation to the statutorily or contractually required contributions	(853,461)	(817,869)	(794,365)	(774,994)	(735,325)	(677,438)	(642,151)	(614,451)	(603,710)	(570,531)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	831	-
Covered payroll*	\$ 16,601,956	\$ 15,857,451	\$ 15,151,138	\$ 14,648,249	\$ 14,266,819	\$ 13,414,604	\$ 12,715,703	\$ 12,167,241	\$ 11,539,641	\$ 11,231,020
Contributions as a percentage of covered payroll	5.14%	5.16%	5.24%	5.29%	5.15%	5.05%	5.05%	5.05%	5.24%	5.08%
Notes to Schedule										
Excess contributions in 2013 are due to leave cashouts										
* Covered payroll is the payroll on which contributions to a pension plan are based										

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

Federal Agency (Pass-Through Agency)	Expenditures							
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
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-20-MC-53- 0002	-	31,947	31,947	-	1,2,3, 4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-53- 0002	-	191,911	191,911	-	1,2,3, 4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-53- 0002	-	280,842	280,842	-	1,2,3, 4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53- 0002	-	11,661	11,661	-	1,2,3, 4
Total CDBG - Entitlement Grants Cluster:				-	516,361	516,361	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-18-DC-53- 0202	-	28,236	28,236	28,236	1,2,3, 4,
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-19-DC-53- 0202	-	301,881	301,881	301,881	1,2,3, 4

The accompanying notes are an integral part of this schedule.

City of Richland
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		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-20-DC-53- 0202	-	199,825	199,825	199,825	1,2,3, 4,
			Total CFDA 14.239:	-	529,942	529,942	529,942	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Seattle Police Department)	Missing Children's Assistance	16.543	2018-MC-FX- K054, Contract 67-20	27,996	-	27,996	-	1,2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Seattle Police Department)	Missing Children's Assistance	16.543	2018-MC-FX- K054, Contract 361-20	35,127	-	35,127	-	1,2
			Total CFDA 16.543:	63,123	-	63,123	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	2021	-	4,838	4,838	-	1,2
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	WA0030200 - Asset Forfeiture Program	-	2,112	2,112	-	1,2
Federal Bureau of Investigation	Federal Bureau of Investigation - Tri City Violent Crime Task Force (Gang)	16.U01	CRA-FY 2017 State and Local OT	-	4,005	4,005	-	1,2

Highway Planning and Construction Cluster

The accompanying notes are an integral part of this schedule.

City of Richland
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		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	STPUL-TAP- 3504(002), LA- 9625	3,331,423	-	3,331,423	-	1,2,4,
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept of Transportation)	Highway Planning and Construction	20.205	STPUL-3459 (001), LA-8252	108,680	-	108,680	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	STPUL-9903 (023), LA-9929	107,540	-	107,540	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	STPUL-9903 (024), LA-9930	100,662	-	100,662	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	NHPP-3475 (007), LA-9482	149,023	-	149,023	-	1,2,4, 7
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	TAP-1080(008), LA-9933	106,106	-	106,106	-	1,2,4

The accompanying notes are an integral part of this schedule.

City of Richland
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		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	TAP-9903(025), LA-9931	5,393	-	5,393	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (530), LA-9701	768,352	-	768,352	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	HSIP-3455 (001), LA-9704	7,860	-	7,860	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (532), LA-9716	30,290	-	30,290	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (531), LA-9702	18,576	-	18,576	-	1,2,4
Total Highway Planning and Construction Cluster:				4,733,905	-	4,733,905	-	

Highway Safety Cluster

The accompanying notes are an integral part of this schedule.

City of Richland

Expenditures

The accompanying notes are an integral part of this schedule.

City of Richland
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		
	ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Military Department)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E22-105	37,701	-	37,701	-	1,2,4, 6
	ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Military Department)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E21-048	118,637	-	118,637	-	1,2,4, 6
			Total CFDA 81.214:		156,338	-	156,338	-	
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E21-053	71,584	-	71,584	-	1,2,4, 6
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E21-068	34,099	-	34,099	-	1,2,4, 6
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E20-253S and Amendment A	10,694	-	10,694	-	1,2,4, 6
			Total CFDA 97.042:		116,377	-	116,377	-	

The accompanying notes are an integral part of this schedule.

City of Richland
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			
					From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E20-067	9,489	-	9,489	-
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E21-080	23,758	-	23,758	-
								1,2,4, 6
				Total CFDA 97.067:	33,247	-	33,247	-
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via FEMA Grants Outcomes)	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2018FH- 00280	1,009,497	-	1,009,497	-
								1,2,4,
			Total Federal Awards Expended:	6,773,032	1,057,258	7,830,290	529,942	

The accompanying notes are an integral part of this schedule.

CITY OF RICHLAND, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

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

NOTE 3 – REVOLVING LOAN - PROGRAM INCOME

The City has a revolving loan program for low income housing renovation within its CDBG program. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$40,000. These funds were disbursed from the revolving loan program income. The City uses the deductive method of reporting, so the expenses reported on the SEFA do not include these disbursements. The amount of principal and interest received in loan repayments for the year was \$35,582. Of this amount, \$31,666 will continue to build the revolving loan fund. The remaining \$3,916 were repayments from the City's defunct CDBG down payment assistance program. These funds were reported as program income and applied to other eligible project costs.

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the CDBG program are net of \$43,916 in program income and revolving loan.

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

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the HOME program are net of \$879,739 in program income. New loans are recorded as expenditures and tracked as a receivable in the HOME Fund.

NOTE 4 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State,

Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 5 – EPA DRINKING WATER STATE REVOLVING FUND LOAN

The City of Richland was approved by the EPA and the DOH to receive a loan totaling \$1,842,130 to improve the Lorayne J Drinking Water System. The amount listed for this loan include expenditures of \$389 from 2020 and \$221,553 of expenditures from 2021.

NOTE 6 – BENTON COUNTY EMERGENCY SERVICES (BCES) GRANTS

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

NOTE 7 – FED HWY ADMIN - PASSTHRU

The amount shown includes 2020 expenditures not previously reported.

ABOUT THE STATE AUDITOR'S OFFICE

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