



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

City of West Richland

Benton County

For the period January 1, 2014 through December 31, 2014

Published November 23, 2015

Report No. 1015568





Washington State Auditor's Office

November 23, 2015

Mayor and City Council
City of West Richland
West Richland, Washington

Report on Financial Statements

Please find attached our report on the City of West Richland's financial statements.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S 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 West Richland
Benton County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of West Richland
West 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 City of West Richland, Benton County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 16, 2015.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 may exist that have not been identified.

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 the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

November 16, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of West Richland Benton County January 1, 2014 through December 31, 2014

Mayor and City Council
City of West Richland
West Richland, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of West Richland, Benton County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of West Richland has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of West Richland, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of West Richland, as of December 31, 2014, or the

changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 16, 2015 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 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

November 16, 2015

FINANCIAL SECTION

**City of West Richland
Benton County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014

City of West Richland
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 General Fund	101 Streets Fund
Beginning Cash and Investments				
30810	Reserved	4,643,628	-	91,109
30880	Unreserved	8,061,807	2,239,053	70,877
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	5,100,751	4,033,751	54,576
320	Licenses and Permits	405,009	396,834	8,175
330	Intergovernmental Revenues	1,336,934	326,014	269,791
340	Charges for Goods and Services	7,706,358	570,063	12,115
350	Fines and Penalties	229,443	221,292	-
360	Miscellaneous Revenues	191,334	94,673	721
Total Operating Revenues:		14,969,829	5,642,625	345,379
Operating Expenditures				
510	General Government	1,098,714	1,047,650	-
520	Public Safety	2,448,405	2,419,609	-
530	Utilities	5,175,827	156,619	-
540	Transportation	423,678	-	386,671
550	Natural and Economic Environment	761,376	761,376	-
560	Social Services	10,505	10,505	-
570	Culture and Recreation	711,824	304,806	-
Total Operating Expenditures:		10,630,329	4,700,564	386,671
Net Operating Increase (Decrease):		4,339,500	942,061	-41,292
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	755,435	69,457	-
391-393	Debt Proceeds	2,766,209	-	-
397	Transfers-In	909,960	10,457	-
Total Nonoperating Revenues:		4,431,605	79,914	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	2,315	15	-
591-593	Debt Service	1,813,971	-	-
594-595	Capital Expenditures	2,186,319	25,771	2,186
597	Transfers-Out	909,960	283,278	-
Total Nonoperating Expenditures:		4,912,565	309,065	2,186
Net Increase (Decrease) in Cash and Investments:		3,858,540	712,911	-43,478
Ending Cash and Investments				
50810	Reserved	7,020,363	-	39,213
50880	Unreserved	9,543,608	2,951,966	79,294

The accompanying notes are an integral part of this statement.

104 Park Impact Fund	105 Criminal Justice Fund	121 Library Services Fund	202 Councilmanic Bond Fund	203 2014 Councilmanic Bond Fund	204 HAEIFC Loan Fund
573,851	275,640	172,294	-	-	-
7,197	-	-	-	-	0
-	-	-	-	-	-
-	232,489	386,711	-	-	-
-	-	-	-	-	-
-	18,204	-	-	-	-
79,210	-	-	-	-	-
-	-	-	-	-	-
503	245	193	-	0	-
79,713	250,938	386,904	-	0	-
-	46,500	-	-	-	-
-	28,797	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
82	-	406,936	-	-	-
82	75,297	406,936	-	-	-
79,631	175,641	-20,032	-	0	-
-	5,088	-	-	-	-
-	189,077	-	-	1,439	-
-	-	-	354,536	-	83,278
-	194,165	-	354,536	1,439	83,278
-	-	-	-	-	-
-	129,842	-	354,536	140	83,278
58,022	206,934	-	-	-	-
161,689	-	-	-	-	-
219,711	336,776	-	354,536	140	83,278
-140,080	33,030	-20,032	-	1,299	-
434,161	303,339	152,262	-	1,299	-
6,807	5,331	-	-	-	0

The accompanying notes are an integral part of this statement.

284 LID 2004.1 Polo Club I Sewer Fund	286 LID 2007.1 Ironton Dr/S 58th Fund	301 Capital Improvements Fund-REET I	302 Capital Improvements Fund-REET II- Street	309 Capital Improvements Fund-Yakima River T	320 Capital Improvements Fund-Belmont
-	-	363,217	387,444	-	-
-	-	-	-	-	150
-	-	-	-	-	-
-	-	196,612	196,612	-	-
-	-	-	-	-	-
-	-	-	-	14,087	-
-	-	-	-	-	-
498	-	-	1,979	-	-
7,950	2,009	310	388	26	0
<u>8,448</u>	<u>2,009</u>	<u>196,922</u>	<u>198,980</u>	<u>14,113</u>	<u>0</u>
-	-	1,977	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	21,114	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,977	21,114	-	-
<u>8,448</u>	<u>2,009</u>	<u>194,945</u>	<u>177,866</u>	<u>14,113</u>	<u>0</u>
-	-	-	-	-	1,450
-	-	-	-	-	-
-	-	-	-	461,689	-
-	-	-	-	<u>461,689</u>	<u>1,450</u>
-	-	-	-	-	-
-	-	114,654	-	-	-
-	-	-	-	47,937	1,144
8,448	2,009	142,544	-	-	-
<u>8,448</u>	<u>2,009</u>	<u>257,198</u>	<u>-</u>	<u>47,937</u>	<u>1,144</u>
<u>0</u>	<u>0</u>	<u>-62,253</u>	<u>177,866</u>	<u>427,865</u>	<u>306</u>
-	-	300,964	563,331	255,820	-
-	-	-	1,978	172,045	456

The accompanying notes are an integral part of this statement.

355 Capital Improvements Fund- Transportation	360 Capital Improvements Fund- Streets	374 Capital Improvements Fund-Van Giesen Red	401 Water/Sewer Utility Fund	402 Irrigation Utility Fund	404 Storm Water Utility Fund
178,954	4,118	-	2,597,000	-	-
-	10	276,225	4,913,209	80,054	360,061
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
214,378	-	-	-	-	494,459
107,911	-	-	5,375,758	63,111	323,049
-	-	-	5,674	-	-
177	3	232	81,891	166	278
<u>322,466</u>	<u>3</u>	<u>232</u>	<u>5,463,322</u>	<u>63,278</u>	<u>817,787</u>
-	-	-	2,587	-	-
-	-	-	-	-	-
-	-	-	3,585,915	79,828	242,414
15,893	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,893</u>	<u>-</u>	<u>-</u>	<u>3,588,502</u>	<u>79,828</u>	<u>242,414</u>
306,573	3	232	1,874,820	-16,550	575,373
-	-	-	679,440	-	-
-	-	-	185,431	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>864,871</u>	<u>-</u>	<u>-</u>
-	-	-	2,300	-	-
-	-	-	1,092,821	-	-
231,376	-	-	1,019,143	-	530,746
-	-	-	311,992	-	-
<u>231,376</u>	<u>-</u>	<u>-</u>	<u>2,426,256</u>	<u>-</u>	<u>530,746</u>
75,197	3	232	313,435	-16,550	44,627
254,151	4,118	-	2,423,203	-	-
-	13	276,457	5,400,442	63,503	404,687

The accompanying notes are an integral part of this statement.

405 Solid Waste Utility Fund	461 Public Works Operations Facility
-	-
114,970	-
-	-
-	-
-	-
-	-
1,175,142	-
-	-
744	824
<u>1,175,886</u>	<u>824</u>
-	-
-	-
1,111,051	-
-	-
-	-
-	-
-	-
<u>1,111,051</u>	<u>-</u>
64,835	824
-	-
-	2,390,262
-	-
<u>-</u>	<u>2,390,262</u>
-	-
-	38,700
-	63,060
-	-
<u>-</u>	<u>101,760</u>
64,835	2,289,326
-	2,288,502
179,805	824

The accompanying notes are an integral part of this statement.

City of West Richland
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	602 LID Guaranty Fund	621 Treasurer's Trust Fund
308	Beginning Cash and Investments	91,443	-	91,443
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	204,384	10,457	193,928
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	195,303	10,457	184,846
Net Increase (Decrease) in Cash and Investments:		9,082	0	9,082
508	Ending Cash and Investments	100,526	-	100,526

The accompanying notes are an integral part of this statement.

CITY OF WEST RICHLAND (MCAG 0212)
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of West Richland was incorporated on June 17, 1955 and operates under the laws of the state of Washington applicable to a code city with a Mayor-Council form of Government. The City of West Richland is a general purpose government providing public safety, community development, street improvements, park and recreation as well as general administrative services. In addition, the City of West Richland owns and operates water/sewer, irrigation and storm water utilities. The City provides solid waste services to its citizens by contracting with a private solid waste services company. Further, the City provides library services to its citizens through a contract with the Mid-Columbia Library District.

The City of West Richland reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This financial reporting framework is a departure from generally accepted accounting principles (GAAP) in the following ways:

- Financial transactions are recognized on a cash basis of accounting as described further in Note 1.
- Component units, if any, are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the City are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. Each fund is considered a legally separate accounting entity. The City of West Richland's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of West Richland:

GOVERNMENTAL FUND TYPES:

General Fund (Fund 001): This fund is the primary operating fund of the City of West Richland. It accounts for all financial resources except those required or elected to be accounted for in another fund.

The City has a Cumulative Reserve Fund 002 and a Real Estate Management and Conservation Fund 003 which are sub-funds of the General Fund 001 and have been aggregated and reported within the General Fund 001. All interfund transactions between these funds have been eliminated.

Special Revenue Funds (Funds in the 100 series): These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City. The City has the following special revenue funds:

NAME OF FUND:	PURPOSE:	REVENUES & RESOURCES REPORTED:
Streets-101	Street Maintenance & Operations	Motor Vehicle Fuel Taxes, City Utility Taxes
Park Impact-104	Park Development Activities	Park Impact Fees
Criminal Justice-105	Criminal Justice Activities	Criminal Justice Sales Taxes & State Shared Revenues
Library Services-121	Operation of City Library	Utility Taxes

Debt Service Funds (Funds in the 200 series): These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds (Funds in the 300 series): These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds (Funds in the 400 series): These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

The City has several water/sewer utility management funds which are sub-funds of the water/sewer utility fund 401 and have been aggregated and reported within the Water/Sewer utility fund 401. All interfund transactions between these funds have been eliminated. The funds which were aggregated and reported within the 401 fund are:

- 426 – Water/Sewer Bond Redemption Fund
- 436 – Water/Sewer Bond Reserve Fund
- 441 – Water System Development Fund
- 442 – Sewer System Development Fund
- 451 – Water Line Development Fund
- 452 – Sewer Line Development Fund

FIDUCIARY FUND TYPES:

Fiduciary funds (Funds in the 600 series): These funds account for assets held by the City of West Richland in a trustee capacity or as an agent on behalf of others and consist of the following:

Agency Funds: These funds are used to account for assets that the City holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The City of West Richland applies a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America where revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the City of West Richland also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

C. Budgets

The City of West Richland adopts biennial appropriated budgets for governmental, special revenue, capital improvements and proprietary funds. These budgets:

- 1) Are adopted on the same basis of accounting as used for financial reporting,
- 2) Are appropriated at the fund level and constitute the legal authority for expenditures at that level,
- 3) Do not include transfers between funds where funds are presented together.
- 4) Allow for budgeted amounts to be transferred between departments within any fund/object class so long as the total expenditures of the fund are not altered,
- 5) Require any revisions that alter the total expenditures of the fund or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment be approved by the City Council (See *Budget Amendments* for a discussion of the significant amendments which occurred through December 31, 2014),
- 6) Lapse at the fiscal year end of the biennium for which the budget was passed.

Budget Process:

- Finance Director provides Council with information on revenue estimates in the current budget – *Continuous*
- Request to all department heads to prepare detailed estimates of revenues and expenditures for the next fiscal biennium – *Mid June*
- Estimates are to be filed with the Finance Director for compilation – *Mid August*
- Estimates presented to Mayor for review and revision – *Mid August*
- The City Council is provided with proposed preliminary budget showing expenditures requested by each department – *Early October*
- Mayor's preliminary budget is prepared and made available to the public – *October*
- Public hearing occurs on revenue sources and setting property tax levy – *Early November*
- Final hearing on preliminary budget and adoption of final budget – *Early December*

Presentation of Budgeted and Actual Expenditures

The City has a Cumulative Reserve Fund 002 and a Real Estate Management and Conservation Fund 003 which are sub-funds of the General Fund 001 and have been aggregated and reported within the General Fund 001. All interfund transactions between these funds have been eliminated.

The City has several water/sewer utility management funds which are sub-funds of the water/sewer utility fund 401 and have been aggregated and reported within the Water/Sewer utility fund 401. All interfund transactions between these funds have been eliminated. The funds which were aggregated and reported within the 401 fund are:

- 426 – Water/Sewer Bond Redemption Fund
- 436 – Water/Sewer Bond Reserve Fund
- 441 – Water System Development Fund
- 442 – Sewer System Development Fund
- 451 – Water Line Development Fund
- 452 – Sewer Line Development Fund
- 483 – North Treatment Plant Construction Fund (2013 only)

Budget Amendments:

The following details the significant budget amendments occurring through December 31, 2014 from the original 2013-2014 adopted budget:

- The City was awarded federal, state and local grant funding not anticipated in the original budget. Amendments to the following budgets were made to appropriate funds for spending in accordance with the grant agreements:
 - General fund: \$96K from the Port of Kennewick for economic development projects.
 - Real Estate Excise Tax II fund: \$214,269 Transportation Improvement Board grant for the S 38th Avenue arterial preservation project.
 - Traffic Improvement Program fund: \$739,250 STP-U grant for Paradise Way/Belmont Blvd, Bombing Range road phase 8 and Paradise Way extension projects as well as \$382,500 TAP and STP-U grant for Keene Road pathway phase 3 and S. 38th Avenue/Mt. Adams View drive projects.
 - Storm water fund: \$160,000 Department of Ecology state grant for the Yakima River Outfall Elimination project.
 - Yakima River Trail Capital Improvement fund: \$1.55M Recreation and Conservation Organization state grant for Yakima River Trail Improvements. Matching contributions of \$161K from the Park Impact fund, \$100K from the Real Estate Excise Tax I fund and \$200K from the General Fund were also appropriated in support of this project.
- The Transportation Improvement Program fund had an additional \$320K in appropriations for extension of Belmont Boulevard which will be funded in part by a grant.
- The Real Estate Excise Tax I fund and the Water/Sewer utility fund had \$34K and \$234K of additional appropriation for early retirement of the 1999 General Obligation Bond.
- The Water/Sewer Utility fund, General Fund Cumulative Reserve and the General Fund had \$1.75 million, \$126K and \$586K, respectively of additional appropriation for the construction of the Public Works operations facility. This project is being funded in part by a general obligation bond issue of \$2.3 million.
- The City was successful at securing a number of State and Federal loans for various water and sewer improvements which were recognized and the funds appropriated for spending:

- Lewis and Clark Well construction for \$2.3 million through a Washington State Drinking Water State Revolving Loan.
- Brotherhood Reservoir construction for \$3.6 million through a Washington State Drinking Water State Revolving Loan.
- Biosolids Processing Facility for \$915K through a Department of Ecology State Revolving Loan.

The final appropriated and actual expenditures for all legally adopted budgets as of December 31, 2014 are as follows:

Fund	Final 2013-2014 Appropriations	Actual 2013 Expenditures	Actual 2014 Expenditures	Total 2013-2014 Expenditures	Variance (Under)/ Over
General Fund:					
001 General (2)	11,902,015	5,379,584	5,009,629	10,389,213	(1,512,802)
Special Revenue Funds:					
101 Streets	747,382	333,141	388,857	721,998	(25,384)
104 Park Impact	329,127	4,390	219,793	224,183	(104,944)
105 Criminal Justice	860,823	355,987	412,073	768,060	(92,763)
121 Library Services	838,964	404,197	406,936	811,133	(27,831)
Debt Service Funds:					
204 HAEIFC Loan	166,561	83,278	83,278	166,556	(5)
Capital Improvements Funds:					
301 REET I (1)	394,678	133,857	259,175	393,032	(1,646)
302 REET II-Street Overlay (1)	415,756	377,298	21,114	398,412	(17,344)
309 Yakima River Trail	1,761,689		47,937	47,937	(1,713,752)
320 Belmont	1,105,831	181,961	1,144	183,105	(922,726)
355 Traffic Improvement Program	1,615,244	188,947	247,269	436,216	(1,179,028)
374 Van Giesen Redevelopmt Ph1	282,000	-	-	-	(282,000)
Proprietary Funds					
401 Water/Sewer Utility (2)	24,572,383	5,398,728	6,014,758	11,413,486	(13,158,897)
402 Irrigation Utility	194,324	95,166	79,828	174,994	(19,330)
404 Storm Water Utility	1,481,003	314,836	773,160	1,087,996	(393,007)
405 Solid Waste Utility	2,222,637	1,050,112	1,111,051	2,161,163	(61,474)
461 Public Works Operations Facility	4,101,562	-	101,760	101,760	(3,999,802)
	52,991,979	14,301,482	15,177,762	29,479,244	(23,512,735)
1)REET - Real Estate Excise Tax					
2)Includes management funds with appropriate eliminations					

D. Cash, Deposits and Investments

The City of West Richland's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

The City maintains a compensating balance with our bank in lieu of payments for services rendered. The average compensating balances maintained during the year was \$3,388,523.

It is the City's policy to invest all temporary cash surpluses. Invested amounts are included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds except where the investments were purchased by a specific fund. In those instances, interest is recorded to the fund that purchased the investments.

For more specific information regarding the City's investments, See Note 2, *Investments*.

F. Capital Assets

Capital assets are long-lived assets such as land, buildings, improvements other than buildings, artwork and historic collections of any value or any piece of equipment that is purchased or gifted to the City having a value of \$5,000 or more and a useful life of one or more years from the date of acquisition. Capital expenditures are recorded as expenditures when purchased.

G. Compensated Absences

Vacation leave is accumulated to any amount throughout the year, but only a maximum of 300 hours can be carried over at the end of the year. Accumulated leave is payable upon separation or retirement. Exempt employees may cash out up to a maximum of 40 hours of vacation during a calendar year.

Sick leave may be accumulated up to 960 hours. Upon non-disciplinary separation from employment, the City will cash out up to \$1,500 of the employee's accrued and unused sick leave for those employees with 15 years of service. The total amount cashed out increases to \$2,000 for employees with 20 or more years of service.

PTO leave may be accumulated up to 1,500 hours during the calendar year with a maximum of 1,200 hours carried over annually. Upon non-disciplinary separation of employment with adequate notice given, employees shall receive and be paid a sum equal to fifty percent of the number of accrued and unused PTO leave hours up to a maximum cash out of 600 hours.

The accompanying Schedule of Liabilities (09) provides the activity on the City's compensated absences for the fiscal year through December 31, 2014.

H. Long-Term Debt: See Note 5, *Debt Service Requirements*.

I. Other Financing Sources or Uses

The City *Other Financing Sources or Uses* consist of sales of capital assets, judgements and settlements, contributions for capital improvements and interfund loans and repayments.

J. Risk Management

The City of West 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 175 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

A copy of the annual financial report for WCIA may be obtained by writing to:

Washington Cities Insurance Authority
PO Box 88030
Tukwila, WA 98138

K. Reserved Cash and Investments

Beginning and ending cash and investments are reported as reserved when they are subject to restrictions on use imposed due to internal commitments and/or by external parties through the West Richland Municipal Code (WRMC), contractual obligations, the Revised Code of Washington (RCW) and bond covenants. For restrictions imposed internally by the City, the highest level of decision-making authority rests with the City Council. Formal action by ordinance or resolution of the City Council is required to establish, modify or rescind any commitment.

When expenditures that meet the restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts. Ending cash and investments as of December 31, 2014 consist of the following:

AMOUNT RESERVED:	FUND:	TYPE OF RESTRICTION:	TO BE USED FOR:
\$39,213	101	External-RCW	Street operations and maintenance
\$434,161	104	External-RCW	Park development activities
\$303,339	105	External-RCW	Criminal justice activities
\$152,262	121	Internal-WRMC	Library services
\$1,299	203	Bond covenant	Repayment of a General Obligation bond
\$864,295	301 & 302	External-RCW	Capital improvements
\$255,820	309	Contractual Obligation	Yakima River Trail project
\$258,269	355 & 360	External-RCW & contractual obligation	Transportation development activities
\$2,423,203	401	Internal-WRMC	Water & sewer utility development activities
\$2,288,502	461	Bond covenant	Construction of the Public Works Operations Facility

L. Restated Beginning Cash and Investments

The City has restated the beginning and cash and investments in the following funds to report the portion of the beginning cash and investments that meet the definitions for classification as reserved. The following details the beginning cash and investment reserved balances, as restated:

AMOUNT RESERVED:	FUND:	TYPE OF RESTRICTION:	TO BE USED FOR:
\$91,109	101	External-RCW	Street operations and maintenance
\$573,851	104	External-RCW	Park development activities
\$275,640	105	External-RCW	Criminal justice activities
\$172,294	121	Internal-WRMC	Library services
\$750,661	301 & 302	External-RCW	Capital improvements
\$183,072	355 & 360	External-RCW & contractual obligation	Transportation development activities
\$2,597,000	401	Internal-WRMC	Water & sewer utility development activities

NOTE 2 - INVESTMENTS

It is the City's policy to invest residual pooled cash over various lengths of time. The City's investments are insured, registered, or held by the City or its agent in the City's name.

The City has invested in instruments which are in accordance with State law and the City's investment policy.

A portion of the City's investments are invested in U.S. Government Agencies' securities. These are stated at original cost. For those securities which are directly purchased by a fund(s), interest earnings are credited to that fund(s). For those which were purchased using pooled cash resources, the interest is prorated back to each fund based on the previous' month's ending cash balance.

The majority of the City's investments are deposits in the Local Government Investment Pool (LGIP). The LGIP is a 2a7-like pool formed and regulated by the Revised Code of Washington. As mandated by State law, the State Treasurer periodically reports to the Governor, the State Auditor and the Joint Legislative Audit and Review Committee on the LGIP. The State Auditor's Office is responsible for monitoring the pool's compliance with State statutes and policy. The City's deposits in the State Treasurer's investment pool are reported based on the pool's share price. The fair value of the positions in the pool is the same value of the pool shares. Interest earned on investments is prorated back to each fund based on the previous month's ending cash balances.

Investments by type at December 31, 2014 are as follows:

Type of Investment	Investments Held by West		Total
	West Richland's Own Investments	Richland in an Agent Capacity (1)	
Local Government Investment Pool	11,461,972	94,094	11,556,066
U.S. Government Agencies' Securities	1,495,713		1,495,713
Total Investments	12,957,685	94,094	13,051,779

(1) Investments held for other local governments, individuals or private organizations.

NOTE 3 - PROPERTY TAX

The City of West Richland is required to certify their budget on November 1st as well as the amount of their taxes levied on November 15th for the upcoming year with the Clerk of the Board of County Commissioners.

The levy is based on the value of all taxable real property in the County 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 on the assessed value is limited by the Washington State Constitution and State law (RCW 84.55.010 and 1101). Special levies are approved by voters and not subject to the limitations. The City's regular levy for the year 2014 is \$1.54366170 per \$1,000 on an assessed valuation of \$977,558,279 for a total regular levy of \$1,509,019 (after the appeals process). The City has no special tax levies.

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Tax bills are mailed to property owners on February 14th of the current year. Payments can begin on February 15th. 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.

Collections are remitted in accordance with RCW 84.56.230. Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

NOTE 4 - INTERFUND LOANS AND ADVANCES

The following provides interfund loan activity from January 1, 2014 through December 31, 2014:

Borrowing Fund	Lending Fund		Balance 1/1/2014	New Loans	Repay- ments	Balance 12/31/2014
320 Belmont Capital Improvements	401 Water/Sewer	1	\$43,733	\$1,450		\$45,183
			\$43,733	\$1,450		\$45,183

1) To complete capital improvements in anticipation of future loan reimbursements.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt and liabilities of the city and summarizes the city's debt transactions through the period ended December 31, 2014. The debt service requirements for general obligation bonds as well as general obligation and revenue loans and notes, both principal and interest are as follows:

Year	General Obligation Debt (1)	Other Debt (2-3*)	Total Debt
2015	162,578	1,213,798	1,376,376
2016	159,900	1,080,896	1,240,796
2017	163,200	1,019,487	1,182,687
2018	171,400	1,013,387	1,184,787
2019	169,400	1,008,353	1,177,753
2020-2024	816,000	4,629,828	5,445,828
2025-2029	805,200	988,144	1,793,344
2030-2034	803,400	274,536	1,077,936
	3,251,078	11,228,429	14,479,507

- 1) General Obligation Bonds
- 2) General Obligation and Revenue loans issued by:
 - a. State of Washington Public Works Trust Fund program
 - b. State of Washington LOCAL program
 - c. State of Washington CERB program
 - d. Hanford Area Economic Investment Fund (HAEIFC)
- 3) The total approved CERB loan for the Belmont property is \$829,766. As of December 31, 2014 the City has withdrawn \$231,696.

*Within the Other Debt there is, in-progress, construction of the Industrial Process Water Treatment Facility (i.e. "Iplant") which is being funded from a loan through the Public Works Trust Fund Board. The total loan has been approved for \$2 million, but only \$229.5K has been drawn through May 2015. The debt service requirements reflect the amortization schedule based on the amount drawn to date. The City anticipates drawing the remaining \$1.77 million in 2015 which will increase the debt service requirements.

Arbitrage Compliance:

The City issued a \$2.25 million General Obligation bond in 2014. The Internal Revenue Code of 1986, section 148 requires issuers of tax-exempt debt to make rebate payments to the United States Treasury of investment income received at yields that are materially higher than the issuer's tax-exempt borrowing. In accordance with the requirements of the Internal Revenue Code, section 148, the City does not have any rebatable arbitrage on this debt issue.

Future Indebtedness:

In early 2015, the City was awarded to loans from the Washington State Public Works Board Drinking Water State Revolving Loan Fund through the Department of Ecology. The first was for improvements to the Brotherhood Reservoir in the amount of \$3.6 million. The second was for improvements to the Lewis and Clark Well #11 for \$2.3 million and the third is to upgrade the bio-solids management system at the Wastewater Treatment Plant for \$1.75 million. No draws have been taken yet on these loans. These loans are expected to be repaid out from the Water/Sewer utility fund over approximately 20 years.

Also in March 2015, the City participated in the State of Washington LOCAL program to finance:

- 1) The purchase of police vehicles and related equipment in the amount of \$193K,
- 2) Replacement of all City street lights with energy-efficient LED lights in the amount of \$595K and
- 3) The purchase of a sewer Vactor truck in the amount of \$279K.

The police vehicles will be repaid from the City's Criminal Justice fund over four years. The replacement of the street lights will be repaid from the City's Street fund over twelve years and the purchase of the Vactor truck will be repaid from the Water/Sewer Utility fund over ten years.

NOTE 6 - PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in Public Employees Retirement System (PERS) or the Law Enforcement Officers and Firefighters Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 7 - CONSTRUCTION COMMITMENTS:

The City of West Richland has active construction projects. As of December 31, 2014, the commitments on those projects were as follows:

Project	Spent to Date	Remaining Commitment
S 38th/Mt Adams View Roadway Improvements	61,536	98,460
Belmont Roadway Improvements Phases 3&4	0	54,839
Paradise/Belmont Roadway Widening	16,370	588,102
Keene Road Pathway	4,000	139,563
Paradise Way Extension Phase 4	217,507	1,693
Public Works Operations Facility	56,978	305,653
Yakima River Trail Project	106,401	211,810
Well #9 Modifications	42,500	107,500
Brotherhood Reservoir	6,087	334,693
Well #11	14,026	57,199
Industrial Process Water Treatment Facility	202,001	170,514
	727,406	2,070,026

The City was awarded a federal grant in early 2015 for \$499,615 for construction on Belmont Boulevard. This grant will be combined with other project resources for a total of \$980,000 to complete the necessary improvements which will support development and construction activities in the area. This project will be accounted for within the Capital Improvements-Transportation Impact Fees Fund 355. An engineering services contract was awarded in early 2015 for \$55K. Construction is anticipated to be completed by the end of 2015.

The City was also awarded a state grant in May 2015 with the Department of Ecology for \$832,000 for construction of a street sweeping decant facility. This grant will be combined with other resources from the City's Water/Sewer Utility fund for a total of \$1.1M to complete construction of this facility. This project will be accounted for within a separate utility construction fund. Contracts have been awarded totaling \$314K in early 2015 and construction is anticipated to be completed by the end of the 2015/2016 biennium.

In 2015, the City has also awarded the following contracts:

- Engineering services for \$269.5K for construction activities for the Industrial Process Water Treatment Facility (i.e. "Iplant").
- Construction for pavement preservation for \$570K.
- Construction for S 38th/Mt. Adams View Roadway Improvements for \$273K.

NOTE 8 – JOINT VENTURES:

The City participates in the following joint ventures:

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. This agreement will continue indefinitely unless terminated by a participant. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City and a Benton County Commissioner. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES.

BCES consists of three separate divisions, Southeast Communications (SECOMM), 800Mhz and Benton County Emergency Management (BCEM). The City of West Richland participates only in BCEM.

BCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, Department of Energy 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 West Richland's equity interest in BCEM as of December 31, 2014 is \$23,717. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants. The City does not anticipate any income distributions from BCEM since charges are assessed only to recover anticipated expenses.

Complete and separate financial statements for all operations of Benton County Emergency Services may be obtained by writing to:

City of Richland
505 Swift Blvd
Richland, Washington 99352.

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 City of West Richland's equity interest in BI-PIN on December 31, 2014 is \$16,739. 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 by writing to:

City of Kennewick
210 West Sixth Avenue
Kennewick, WA 99336

Metro Drug Forfeiture Fund:

The Metropolitan Controlled Substance Enforcement Group (Metro) was established in 1987 when the Cities of Richland, Kennewick, Pasco and West Richland along with the counties of Benton and Franklin entered into an interlocal agreement pursuant to RCW 39.34. Metro was established for the purpose of accounting for the proceeds of forfeitures, federal grants and court ordered contributions and to facilitate the disbursement of those proceeds for the drug enforcement and investigations.

The initial agreement expired December 31, 1989 and was renewed annually for each year until December 31, 1990 at which time the agreement was extended six months until June 30, 1991. All subsequent agreements have had the June 30 fiscal year end.

Current membership includes the Cities of West Richland, Richland, Pasco and Kennewick and Benton and Franklin Counties. Metro is served by an Executive Committee consisting of the City Manager or designee from each of the Cities of Kennewick, Richland and Pasco and one County Commissioner or designee from each of the Counties of Benton and Franklin. The Executive Committee is responsible for approval of the Metro budget and for setting policy relating to Metro. In addition a Governing Board consisting of the Chiefs of Police from the cities and the Sheriffs from the counties, provide policy recommendations to the Executive Committee relating to Metro and its expenditures and operations.

Effective January 1, 2009, the City of Kennewick assumed the responsibility for the operation of Metro. As the operating jurisdiction, Kennewick provides accounting services for the operation of Metro.

The City of West Richland's equity interest in Metro was \$1,371 on June 30, 2014. The City does not anticipate any income distribution from Metro.

Complete and separate financial statements for Metro may be obtained by writing to:

City of Kennewick
210 West Sixth Avenue
Kennewick, Washington 99336

NOTE 9 – CONTINGENCIES & LITIGATION:

There are no known pending claims or litigation that will materially impact the City's financial stability based upon current evaluation of lawsuits by legal counsel. In the opinion of the management, the City's insurance policies are adequate to pay all known or pending claims. The City's legal counsel indicates that the City's exposure does not exceed the amount of retention. There are two matters (one claim and one lawsuit) filed by telecommunication companies for a refund of taxes paid. The City has a tentative settlement agreement with the opposing party to resolve the telecommunications lawsuit for a minimal amount under \$12,000. There has been no action on the other telecommunications claim and is likely now time-barred by the statute of limitations. The City is involved in two land use lawsuits, the first involving a claim for a declaratory judgment that is ongoing and the second an appeal of a Growth Management Board decision. The City was successful in defending the appeal of the Growth Management Hearing Board's decision. There is no financial liability to the City other than the cost to defend the declaratory action claim. Also, the City is defending a lawsuit involving claims for civil rights violations. The City has several viable defenses and the cost of defense is covered by insurance.

The City continues to be awarded federal and state assistance to construct, improve or acquire capital assets. These grants and loans are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grants. The City believes that if any disallowances were to be found, they would be immaterial and available City resources would be adequate to repay any such disallowed expenditure.

**City of West Richland
Schedule of Liabilities
For the Year Ended December 31, 2014**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	Community Development/Public Works Building/Water System Well #7 GO Bond (1999)	5/31/2015	41,400	-	41,400	-
251.19	Community Development/Public Works Building/Water System Well #7 GO Bond (1999)	5/31/2015	303,600	-	303,600	-
251.19	Public Works Operations Facility and Area Site Improvements GO Bond (2014)	12/1/2034	-	2,250,000	-	2,250,000
263.96	Development Services Building (2003)	12/1/2015	59,174	-	28,981	30,193
251.19	Development Services Building-Water Portion (2003)	12/1/2015	29,587	-	14,491	15,096
251.19	Development Services Building-Sewer Portion (2003)	12/1/2015	29,587	-	14,491	15,096
263.81	Keene Road Phases 2 & 3 (2004)	7/1/2024	870,833	-	79,167	791,666
263.96	Police Radios (2008)	12/1/2015	50,950	-	24,893	26,057
263.81	Belmont Property-CERB Loan (2012)	2/15/2032	231,696	-	-	231,696
263.96	Police Vehicles & Equipment (2012)	6/1/2015	77,056	-	38,143	38,913
263.81	Belmont Property-Hanford Area Economic Investment Fund (2012)	7/1/2027	918,878	-	56,130	862,748
263.96	Police Vehicles (2013)	6/1/2016	146,078	14,599	52,043	108,634
263.96	Police Vehicles (2014)	6/1/2017	-	157,108	-	157,108
259.11	Compensated Absences		186,315	270,082	274,282	182,115
Total General Obligations:			2,945,154	2,691,789	927,621	4,709,322

Revenue Obligations

252.11	Refunding Bond for 1994/1997 Water/Sewer (1999)	12/1/2014	190,000	-	-	190,000	-
263.82	Wastewater Treatment Facility Improvements (1994)	7/1/2014	32,137	-	-	32,137	-
263.82	Water Improvements (1994)	7/1/2014	37,185	-	-	37,185	-
263.82	Water Well #9 Improvements (2001)	6/1/2021	211,696	-	-	26,462	185,234
263.82	Sewer Interceptor (2002)	6/1/2022	746,578	-	-	82,953	663,625
263.82	Sewer Interceptor (2003)	6/1/2023	947,368	-	-	94,737	852,631
263.82	Michaels Water Right System (2004)	6/1/2024	2,739,450	-	-	249,041	2,490,409
263.82	North Wastewater Treatment Plant Improvements (2004)	6/1/2024	302,597	-	-	27,509	275,088
263.82	North Wastewater Treatment Plant Improvements (2005)	6/1/2025	2,733,694	-	-	227,808	2,505,886
263.82	Water Inter tie Booster Pump Station Improvements (2012)	6/1/2031	660,271	69,449	-	40,540	689,180
263.82	Industrial Process Water Treatment Facility (2014)	6/1/2031	-	115,983	-	-	115,983
259.12	Compensated Absences		109,428	173,769	-	153,533	129,664
Total Revenue Obligations:			8,710,404	359,201		1,161,905	7,907,700
Total Liabilities:			11,655,558	3,050,990		2,089,526	12,617,022

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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