



**Office of the Washington State Auditor**

**Pat McCarthy**

# **Financial Statements and Federal Single Audit Report**

## **City of West Richland**

**For the period January 1, 2019 through December 31, 2019**

**Published October 5, 2020**

**Report No. 1027010**





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

October 5, 2020

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

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of West 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 cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
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.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	9
Independent Auditor's Report on Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	49

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### City of West Richland January 1, 2019 through December 31, 2019

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of West 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 City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

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

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

##### Federal Awards

##### Internal Control over Major Programs:

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

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

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

## **Identification of Major Federal Programs**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
66.468	Drinking Water State Revolving Fund Cluster – Capitalization Grants for Drinking Water State Revolving Funds

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

The City did not qualify 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 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  
January 1, 2019 through December 31, 2019**

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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 29, 2020.

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 state law 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.

As discussed in Note 8 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City of West Richland.

**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 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 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.

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 29, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of West Richland  
January 1, 2019 through December 31, 2019**

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the City of West Richland, with the types of compliance requirements described 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, 2019. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

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, 2019.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 29, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of West Richland January 1, 2019 through December 31, 2019

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, for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

#### 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 state law 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 opinions 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 state law 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 cash and investments of the City of West Richland, and its changes in cash and investments, for the year ended December 31, 2019, 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, 2019, or the changes in financial position or cash flows thereof 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.

## **Matters of Emphasis**

As discussed in Note 8 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City of West Richland. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The 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). The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are 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 September 29, 2020 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.

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Pat McCarthy

State Auditor

Olympia, WA

September 29, 2020

## **FINANCIAL SECTION**

### **City of West Richland January 1, 2019 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to Financial Statements – 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2019  
Schedule of Expenditures of Federal Awards – 2019  
Notes to the Schedule of Expenditures of Federal Awards – 2019



**City of West Richland**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>104 Park Impact Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	4,499,171	-	203,771	442,407
30880	Unreserved	14,484,022	6,477,547	126,700	14,815
388 / 588	Net Adjustments	170,150	170,150	-	-
<b>Revenues</b>					
310	Taxes	7,514,146	5,392,246	70,101	-
320	Licenses and Permits	752,655	745,530	7,125	-
330	Intergovernmental Revenues	1,900,024	395,480	344,196	-
340	Charges for Goods and Services	10,205,160	681,535	43,988	193,195
350	Fines and Penalties	179,956	95,987	880	-
360	Miscellaneous Revenues	1,683,593	212,059	4,189	7,995
Total Revenues:		22,235,534	7,522,837	470,479	201,190
<b>Expenditures</b>					
510	General Government	1,386,734	1,333,002	-	-
520	Public Safety	3,778,755	3,417,742	-	-
530	Utilities	7,047,646	514,902	-	-
540	Transportation	639,594	-	627,204	-
550	Natural and Economic Environment	893,804	893,804	-	-
560	Social Services	15,814	15,814	-	-
570	Culture and Recreation	953,628	447,801	-	2,179
Total Expenditures:		14,715,975	6,623,065	627,204	2,179
Excess (Deficiency) Revenues over Expenditures:		7,519,559	899,772	(156,725)	199,011
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	14,962,475	-	-	-
397	Transfers-In	1,260,994	525,775	391,235	18,228
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	1,330,594	1,078,251	5,801	-
Total Other Increases in Fund Resources:		17,554,063	1,604,026	397,036	18,228
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	7,419,312	1,664,436	345,061	-
591-593, 599	Debt Service	1,926,957	-	-	-
597	Transfers-Out	1,260,994	526,832	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	233,573	179,573	-	-
Total Other Decreases in Fund Resources:		10,840,836	2,370,841	345,061	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>14,232,786</b>	<b>132,957</b>	<b>(104,750)</b>	<b>217,239</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	17,804,429	-	-	651,652
5088000	Unreserved	15,581,703	6,780,658	225,724	22,810
<b>Total Ending Cash and Investments</b>		<b>33,386,132</b>	<b>6,780,658</b>	<b>225,724</b>	<b>674,462</b>

The accompanying notes are an integral part of this statement.

**City of West Richland**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>105 Criminal Justice Fund</b>	<b>106 Tourism Promotion Fund</b>	<b>121 Library Fund</b>	<b>203 2014 Councilmanic Bond Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	220,774	5,339	158,702	-
30880	Unreserved	16,792	57	2,547	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	870,696	1,257	529,828	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	23,249	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,966	89	2,413	-
Total Revenues:		897,911	1,346	532,241	-
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	361,013	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	503,648	-
Total Expenditures:		361,013	-	503,648	-
Excess (Deficiency) Revenues over Expenditures:		536,898	1,346	28,593	-
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	169,400
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	169,400
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	169,400
597	Transfers-Out	485,833	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		485,833	-	-	169,400
<b>Increase (Decrease) in Cash and Investments:</b>		<b>51,065</b>	<b>1,346</b>	<b>28,593</b>	<b>-</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	267,872	6,596	184,885	-
5088000	Unreserved	20,758	146	4,953	-
<b>Total Ending Cash and Investments</b>		<b>288,630</b>	<b>6,742</b>	<b>189,838</b>	<b>-</b>

The accompanying notes are an integral part of this statement.

**City of West Richland**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>206 Street Light Retro Fit Program Fund</b>	<b>207 Debt Service - Police Facility Fund</b>	<b>301 Cap. Imp. Fund - REET I</b>	<b>302 Cap. Imp. Fund - REET II - Street Overla</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	255,912	-	600,855	944,988
30880	Unreserved	320,153	-	6,734	16,631
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	325,009	325,009
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	171,150
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	8,035	-	10,097	14,840
Total Revenues:		8,035	-	335,106	510,999
<b>Expenditures</b>					
510	General Government	-	-	2,438	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	1,657
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,438	1,657
Excess (Deficiency) Revenues over Expenditures:		8,035	-	332,668	509,342
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	989	-	-
397	Transfers-In	-	-	6,292	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	989	6,292	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	276,137
591-593, 599	Debt Service	65,475	-	81,542	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		65,475	-	81,542	276,137
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(57,440)</b>	<b>989</b>	<b>257,418</b>	<b>233,205</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	190,437	989	848,175	1,163,353
5088000	Unreserved	328,188	-	16,832	31,471
<b>Total Ending Cash and Investments</b>		<b>518,625</b>	<b>989</b>	<b>865,007</b>	<b>1,194,824</b>

The accompanying notes are an integral part of this statement.

**City of West Richland**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>309 Cap Imp Fund - Yakima River Gateway</b>	<b>315 Cap Imp Fund - Police Facility</b>	<b>355 Cap. Imp. Fund - Trans. Imp. Program</b>	<b>360 Cap Imp. Fund - Streets</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	23,432	-	274,527	-
30880	Unreserved	40,591	-	4,659	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	163,243	-
340	Charges for Goods and Services	-	-	241,869	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	461	-	5,927	554
Total Revenues:		461	-	411,039	554
<b>Expenditures</b>					
510	General Government	-	51,294	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	10,733	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	51,294	10,733	-
Excess (Deficiency) Revenues over Expenditures:		461	(51,294)	400,306	554
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	12,589,187	-	-
397	Transfers-In	-	-	-	150,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	12,589,187	-	150,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	22	109,190	117,872	102,313
591-593, 599	Debt Service	-	124,188	-	-
597	Transfers-Out	64,462	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		64,484	233,378	117,872	102,313
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(64,023)</b>	<b>12,304,515</b>	<b>282,434</b>	<b>48,241</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	12,304,515	551,032	-
5088000	Unreserved	-	-	10,586	48,241
<b>Total Ending Cash and Investments</b>		<b>-</b>	<b>12,304,515</b>	<b>561,618</b>	<b>48,241</b>

The accompanying notes are an integral part of this statement.

**City of West Richland**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>374 Cap Imp. Fund - Van Giesen Redev</b>	<b>401 Water/Sewer Utility Fund</b>	<b>402 Irrigation Utility Fund</b>	<b>404 Stormwater Utility Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	1,368,464	-	-
30880	Unreserved	14,300	6,464,992	67,894	647,461
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	568,792	-	233,914
340	Charges for Goods and Services	-	6,763,746	114,054	471,314
350	Fines and Penalties	-	61,568	985	4,404
360	Miscellaneous Revenues	103	1,389,652	7,263	10,058
Total Revenues:		103	8,783,758	122,302	719,690
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	4,508,254	79,556	277,450
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	4,508,254	79,556	277,450
Excess (Deficiency) Revenues over Expenditures:		103	4,275,504	42,746	442,240
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	2,372,299	-	-
397	Transfers-In	-	64	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	246,542	-	-
Total Other Increases in Fund Resources:		-	2,618,905	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	4,457,683	19,344	295,042
591-593, 599	Debt Service	-	1,486,262	30	60
597	Transfers-Out	14,403	143,990	8,470	16,940
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	54,000	-	-
Total Other Decreases in Fund Resources:		14,403	6,141,935	27,844	312,042
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(14,300)</b>	<b>752,474</b>	<b>14,902</b>	<b>130,198</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	1,634,923	-	-
5088000	Unreserved	-	6,951,006	82,795	777,663
<b>Total Ending Cash and Investments</b>		<b>-</b>	<b>8,585,929</b>	<b>82,795</b>	<b>777,663</b>

The accompanying notes are an integral part of this statement.

**City of West Richland**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>405 Solid Waste Utility Fund</b>	<b>461 Public Works Ops Facility</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	233,005	29,144
388 / 588	Net Adjustments	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	1,695,459	-
350	Fines and Penalties	16,132	-
360	Miscellaneous Revenues	5,563	329
Total Revenues:		1,717,154	329
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	1,667,483	1
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		1,667,483	1
Excess (Deficiency) Revenues over Expenditures:		49,671	328
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 382, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	2,804	29,408
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	64
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:		2,804	29,472
<b>Increase (Decrease) in Cash and Investments:</b>		<b>46,867</b>	<b>(29,144)</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	-
5088000	Unreserved	279,872	-
<b>Total Ending Cash and Investments</b>		<b>279,872</b>	<b>-</b>

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, 2019**

		<b>Total for All Funds (Memo Only)</b>	<b>Private-Purpose Trust</b>	<b>Custodial</b>
308	Beginning Cash and Investments	177,274	1,671	175,603
388 & 588	Net Adjustments	(170,150)	-	(170,150)
310-390	Additions	115,727	-	115,727
510-590	Deductions	112,703	1,671	111,032
	Net Increase (Decrease) in Cash and Investments:	3,024	(1,671)	4,695
508	Ending Cash and Investments	10,147	-	10,147

*The accompanying notes are an integral part of this statement.*

**City of West Richland**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**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 Mayor-Council form of Government. The City of West Richland is a general purpose local 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 in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units 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 government 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund (Fund 001):

This fund is the primary operating fund of the government. 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, Real Estate Management and Conservation Fund 003, and Facilities Reserve Fund 004 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:

<b>NAME OF FUND:</b>	<b>PURPOSE:</b>	<b>REVENUES &amp; RESOURCES REPORTED:</b>
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	Criminal Justice Sales Taxes & State Shared Revenues
Tourism Promotion-106	Tourism Promotion	Hotel Motel Tax
Library Services-121	Operation of City Library	Property Taxes (Voted)

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:

- 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):

Fiduciary funds account for assets held by the City in a trustee capacity or as a custodian on behalf of others.

### Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

### Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

### Custodial 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

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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.

## C. Cash and Investments

See Note 6 - Deposits and Investments.

## D. 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 assets and inventory are recorded as capital expenditures when purchased. Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense.

## E. Compensated Absences

For non-bargaining employees, 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. In circumstances where City operations have made it impractical for an employee to use vacation time, the Department Director, with approval of the Mayor or City Administrator, may authorize, in writing, additional carryover of vacation time. 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.

For non-bargaining employees, the maximum number of unused sick hours which may be carried over from one calendar year to the next is 960. 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.

For the West Richland Police Association bargaining unit, paid time off (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.

Payments are recognized as expenditures when paid. The accompanying Schedule of Liabilities (09) provides the activity on the City's compensated absences for the fiscal year through December 31, 2019.

#### F. Long-Term Debt

See Note 4 - Debt Service Requirements.

#### G. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when they are subject to restrictions on use imposed by external parties or due to internal commitments established 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 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 restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts. Ending Cash and Investments as of December 31, 2019 consist of the following:

AMOUNT RESERVED:	FUND:	TYPE OF RESTRICTION:	TO BE USED FOR:
-	101	External - RCW	Street operations and maintenance
651,652	104	External - RCW	Park development activities
267,872	105	External - RCW	Criminal justice activities
6,596	106	External - RCW	Tourism Promotion
184,885	121	External - WR Voters	Library services
190,437	206	Contractual obligation	Street Light Retro-Fit Program
989	207	Contractual obligation	Police Facility debt service
848,175	301	External - RCW	Capital improvements
1,163,353	302	External - RCW	Capital improvements
12,304,515	315	Contractual obligation	Police Facility
551,032	355	External - RCW	Transportation development activities
1,634,923	401	Internal - WRMC	Water & sewer development activities

## **Note 2 – Budget Compliance**

### **H. 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, 2019),
- 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 – *Early April*
- Estimates are to be filed with the Finance Director for compilation – *Mid June*
- Estimates presented to Mayor for review and revision – *Late July*
- The City Council is provided with proposed preliminary budget showing expenditures

- requested by each department – *September*
- Mayor’s preliminary budget is prepared and made available to the public – *October*
- Public hearing occurs on revenue sources and setting property tax levy – *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, a Real Estate Management Conservation Fund 003, and a Facilities Reserve Fund 004 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 with 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:

- 441 – Water System Development Fund
- 442 – Sewer System Development Fund
- 451 – Water Line Development Fund
- 452 – Sewer Line Development Fund

Budget Amendments:

The following details significant budget amendments that occurred in 2019:

- Council appropriated \$300,000 in the REET II Fund 302 for overlay on Grosscup from SR 224 to N. 62<sup>nd</sup>.
- In Fund 401 Water/Sewer Operating Fund, Council appropriated \$275,000 for Water Main replacement program for the Flat Top Park.
- Council appropriated \$70,000 in the REET I Fund 301 for sidewalk improvements.
- Council appropriated \$221,000 in the General Fund 001 for Police equipment and vehicles.
- Council appropriated \$125,000 in the General Fund 001 for professional services in the Community Development department.
- Council appropriated \$26,000 in the General Fund 001 for installation of Bombing Range Sports Complex bleachers for field #3.
- Council appropriated \$149,074 in the General Fund 001 for operational contingency reserve for consultant and legal review.
- Council appropriated \$50,000 in the General Fund 001 for operational contingency reserve for administration and legal services.
- In the Water/Sewer Operating Fund 401, Council appropriated an additional \$65,000 for water replacement work at Austin Drive – Flat Top Park.
- In the Water/Sewer Operating Fund 401 (Managerial Fund 442: Sewer System Development), Council appropriated an additional \$55,000 for sewer replacement work at Austin Drive – Flat Top Park.
- Council appropriated \$142,667 in the General Fund 001 for a new Permit Tech position in the Community Development department.
- Council appropriated a transfer totaling \$150,000 from the General Fund 001 to the Capital

Improvement - Streets Fund 360.

- Council closed out the Yakima River Gateway Fund 309 and transferred remaining balances to the General Fund 001, the Park Impact Fund 104, and the REET I Fund 301.
- In Fund 360 Capital Improvement – Streets, Council appropriated \$150,000 for street repairs near Diamond Lake Ct and South Lake.
- Council appropriated an additional \$25,000 in the Water/Sewer Operating 401 Fund for water repair/replacement at Flat Top Park/Austin Drive.
- Council appropriated \$64,914 in the Stormwater Utility Fund 404 for salary and benefit costs for a Stormwater Grant.
- In the General Fund 001, Council appropriated \$135,000 for purchase of two vehicles.
- Council appropriated \$45,000 in the General Fund 001 for purchase of a truck and mowers.
- Council appropriated an additional transfer totaling \$126,832 in the General Fund 001 to the Street Fund 101.
- Council appropriated \$42,500 in the General Fund 001 for snow blowers and new vehicle.
- In the General Fund 001, Council appropriated \$250,000 for additional parking at the Municipal Services Facility.
- In the Street Fund 101, Council appropriated \$115,000 for new equipment and rentals.
- Council appropriated \$556,320 from the Cumulative Reserve Fund 002 for the land acquisition of the Raceway.
- Council appropriated an additional transfer totaling \$150,000 from the General Fund 001 to the Street Fund 101 for street maintenance.
- Council appropriated \$12,594,549 in the Police Facility 315 Fund for construction of the new police facility.
- Council reduced the Cumulative Reserve Fund 002 original appropriation of \$556,320 for land acquisition by \$105,000 since a portion was paid by the police facility bond.
- Council appropriated an additional \$89,693 in the Street Fund 101 for snow removal.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

<b>FUND</b>	<b>Final 2019/2020 Appropriation</b>	<b>Actual 2019 Expenditures</b>	<b>Variance (Under)/Over</b>
<b><u>General Fund:</u></b>			
001 General (2)	17,370,377	8,993,901	(8,376,476)
<b><u>Special Revenue Funds:</u></b>			
101 Street	1,500,033	972,262	(527,771)
104 Park Impact	18,447	2,178	(16,269)
105 Criminal Justice	1,701,218	846,847	(854,371)
106 Tourism Promotion Fund	-	-	-
121 Library Services	970,422	503,650	(466,772)
<b><u>Capital Improvement Funds:</u></b>			
301 REET I (1) - Capital Improv	248,162	83,981	(164,181)
302 REET II (1) - Street Overlay	556,108	277,794	(278,314)
309 Yakima River Gateway Project	64,487	64,484	(3)
315 Police Facility	12,594,549	284,672	(12,309,877)
355 Traffic Improvement Program	1,894,865	128,605	(1,766,260)
360 Cap Imp - Streets	150,000	102,313	(47,687)
374 Van Giesen Redevel Ph1	14,404	14,403	(1)
<b><u>Proprietary Funds:</u></b>			
401 Water/Sewer Utility (2)	20,828,593	10,650,190	(10,178,403)
402 Irrigation Utility	221,888	107,401	(114,487)
404 Stormwater Utility	1,354,621	589,489	(765,132)
405 Solid Waste Utility	3,246,241	1,670,288	(1,575,953)
461 Public Works Ops Facility Const	29,644	29,473	(171)
	<b>62,764,059</b>	<b>25,321,932</b>	<b>(37,442,127)</b>
(1) REET - Real Estate Excise Tax			
(2) Includes management funds with appropriate eliminations			

### **Note 3 – 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. 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 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/Mayors 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 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 2019 for these services was \$46,785. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

BCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions of the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations. The City of West Richland's equity interest in BCEM as of December 31, 2019 was \$28,849, 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, and risk management and information systems. The total amount paid by BI-PIN in 2019 for these transactions was \$119,000.

BI-PIN is currently in the process of implementing a new RMS/JMS system as well as upgrading all supporting infrastructure. The City of West Richland's equity interest in BI-PIN was \$79,617 on December 31, 2019. 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 West Richland's equity interest in Metro was \$9,862 on June 30, 2019. 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, WA 99336

#### **Note 4 – Debt Service Requirements**

##### **Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds, revenue bonds and notes are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	1,506,299	634,826	2,141,126
2021	1,509,555	637,421	2,146,976
2022	1,527,933	618,248	2,146,180
2023	2,789,484	598,373	3,387,857
2024	1,402,385	578,055	1,980,440
2025-2029	4,494,814	2,596,927	7,091,741
2030-2034	4,331,463	2,122,791	6,454,254
2035-2039	3,390,184	1,604,251	4,994,435
2040-2044	3,195,000	1,117,400	4,312,400
2045-2049	3,570,000	369,600	3,939,600
<b>Totals</b>	<b>27,717,118</b>	<b>10,877,892</b>	<b>38,595,010</b>

General obligation, revenue loans, and note issued include:

- a. General obligation bonds
- b. Promissory Note and Deed of Trust to the Port of Kennewick
- c. State of Washington Public Works Trust Fund program
- d. State of Washington LOCAL program
- e. Washington State Public Works Board Drinking Water State Revolving Loan Fund through the Department of Health
- f. State Revolving Loan Fund through the Department of Ecology

Within the debt table above there is one construction project in-progress:

- a. Construction of the Brotherhood Reservoir (i.e. “Reservoir) which is being funded through a Washington State Public Works Board Drinking Water State Revolving Loan Fund through the Department of Health. The total loan has been approved for \$3,593,075, but only \$3,141,238 has been drawn as of December 31, 2019. A portion of the draw includes loan fees totaling \$35,575 which were effective at contract execution which was in 2014. The City has made two principal payments on the loan totaling \$160,318. The debt service requirements reflect an estimated amortization schedule based on the amount drawn through December 31, 2019 and does not include 2020 draws. The City anticipates the project will be completed in 2020.

#### Debt Reserve and Street Light Retro Fit 2015 LOCAL Loan

In 2018, the City Council approved using unanticipated carryover in the General Fund 001 and a contribution from Benton REA to pay the remaining principal and interest on the Street Light Retro Fit LOCAL loan in Fund 206 Street Light Retro Fit. There is enough reserve that has been set aside through these transfers to pay all of the principal and interest for this loan. In accordance with the LOCAL program agreement however, the earliest the loan can be paid off is 10 years. As of December 31, 2019, the loan has a principal balance of \$435,000.

#### 2019 Voted General Obligation Bond – Police Facility

On April 23, 2019 in a special election, West Richland voters approved authorizing the City to issue general obligation bonds in the amount of \$12,465,000 for the purpose of acquiring land, constructing, and equipping a larger police facility and providing for safety and technology improvements. The bonds are payable by annual property tax levies to be made in excess of regular property tax levies and are levied as excess property taxes. The bonds were issued as 2019A Bond for \$8,950,000 as an unlimited tax general obligation bond (tax-exempt) and 2019B Bond for \$2,525,000 unlimited tax general obligation bond (taxable). The aggregate principal amount of the Bonds in the amount of \$11,475,000 are combined and reported on the amortization schedule. The City received a premium on the bonds totaling \$1,115,176.

#### Land Purchase Racetrack Property – Port of Kennewick (2019)

The City of West Richland purchased property from the Port of Kennewick on December 30, 2019. The agreement includes a Promissory Note and Deed of Trust in the amount of \$1,316,000 with the balance due on April 15, 2023.

#### Future Indebtedness:

The City anticipates seeking the remaining loan funds for the Reservoir project.

## **Note 5 - Interfund Loans**

The City did not issue any interfund loans to other funds in 2019.

## **Note 6 – Deposits and Investments**

It is the City's policy to invest residual pooled cash over various lengths of time. The City has invested in instruments which are in accordance with State law and the City's investment policy.

### **U.S. Government Securities**

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 the 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 balance cash balance.

### **Investments in the State Local Government Investment Pool (LGIP)**

The majority of the City's investments are deposits in the Local Government Investment Pool (LGIP). The City is a voluntary participant in the LGIP, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals. Interest earned on investments in the LGIP are prorated back to each fund based on the previous month's ending cash balances.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO BOX 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. 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's investments are insured, registered, or held by the City or its agent in the City's name.

### **Other Disclosures**

#### ***Police Facility Bond Proceeds***

In December of 2019, the City received bond proceeds for a new police facility. The majority of these funds in the amount of \$12,304,515 are invested in the Local Government Investment Pool.

#### ***Compensating Bank Balance***

The City had been in the practice of maintaining a compensating balance with the bank in lieu of payments for services rendered. However, with the rise in interest rates in 2019 in the Local Government Investment Pool, the City found it more advantageous to invest more funds in the LGIP and keep the bank balance at a minimum and pay the minimal banking fees. The average bank balance required to cover all analyzed bank charges in 2019 was \$5,246,687.

Deposits and investments by type at December 31, 2019 are as follows:

Type of Deposit or Investment	West Richland's Own Deposits and Investments	Deposits and Investments Held by West Richland in an Agent Capacity (1)	Total
Bank Deposits (2)	\$ 1,694,415	\$ 10,147	\$ 1,704,563
Local Government Investment Pool	\$ 24,570,567		\$ 24,570,567
U.S. Government Agencies; Securities	\$ 7,121,150		\$ 7,121,150
<b>Total Deposits and Investments</b>	<b>\$ 33,386,133</b>	<b>\$ 10,147</b>	<b>\$ 33,396,280</b>
(1) Investments held for other local governments, individuals or private organizations			
(2) Cash on hand reported within bank deposits in the amount of \$2,400			

#### **Note 7 – OPEB Plans**

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of West Richland as required by RCW 41.26.150. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2019, the plan had 2 members, all retirees. As of December 31, 2019, the City's total OPEB liability was \$1,262,253, as calculated using the alternative measurement method. For the year ended December 31, 2019, the City paid \$36,828 in benefits.

#### **Note 8 - Other Disclosures**

##### **Significant Transactions**

Due to recent governmental accounting changes to the definition of fiduciary activities, the City moved performance bonds and deposits from Agency Fund 631 to the General Fund 001 in 2019. This resulted in a net adjustment in the amount of (\$170,150) from Agency Fund 631 to General Fund 001 in the amount of \$170,150 as reflected in the 2019 Schedule 1 and C-4 and C-5 Statements.

##### **Subsequent Events**

##### ***COVID-19 Event***

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. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and

university, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The City of West Richland continues to maintain city services to the public during the COVID-19 pandemic including public safety, utilities, and building services within the restrictions of the Governor's proclamation. City leadership is actively working with federal, state and local agencies, businesses and the public to coordinate responses to the COVID-19 event. The City is pursuing financial assistance at the state and federal levels. West Richland was recently notified by the state of Washington that the City can receive up to \$460,000 in CARES funding to assist in responding to the COVID-19 related activities.

The City of West Richland is a growing residential community with a diverse tax base that is largely residential. The City is part of a strong Tri-Cities economy with access to broad employment opportunities. The Tri-Cities is home to businesses ranging from a U.S. Department of Energy National Laboratory, high-tech firms, environmental and engineering companies to food growers and processors, wineries and manufacturers. The City also has the highest medium income in the region. The primary revenue sources for the City's general fund are property and utility taxes which are a more stable revenue source than retail sales tax revenue.

The City has a very strong general fund reserve position with a 2019 ending fund balance well above the reserve goal. The City's financial management policies have a general fund balance reserve goal of 22% of General Fund 001 operating revenues (does not include 002, 003, and 004 managerial funds). In 2019, the City's General Fund 001 ending balance excluding managerial funds was \$4,486,979. The general fund reserve goal of 22% of general fund operating revenue is approximately \$1,750,695. The purpose of this reserve is to provide funding during emergencies and economic uncertainties and for unanticipated operating expenses or revenue shortfalls that may affect the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. In 2019, the City had \$2,614,396 in fund balance above the reserve goal and excluding performance bonds and deposits. In addition to a strong general fund ending balance, the City also ended 2019 with \$2,163,134 in the General Fund Managerial Fund 002 Cumulative Reserve.

The City continues to experience building activity. The Heights at Red Mountain Ranch is a new large development which is expected to begin pulling building permits in the summer of 2020. This development could bring 200 homes a year to West Richland over the next three years. The City has several large commercial projects which are still occurring, these include the Richland School District's Teacher, Learning, and Administration Center (TLAC) and the rebuild of Tapteal Elementary School.

The City is also monitoring monthly utility billing collections very closely for the City's utilities including water, sewer, irrigation, storm water and garbage. The City has been collecting utility payments from residents and business as anticipated compared to projections. Utility collections are not only important to maintain the health of West Richland's utilities, but also for the City's General Fund 001 which collects utility taxes from the City's utilities to fund public safety and other important city services.

It is anticipated the COVID-19 event will have impacts on city revenue sources. To what extent these impacts will have on future city revenues is, at this point, unclear given all of the uncertainty. The City anticipates decreases in retail sales tax revenues, some state shared revenues, real estate excise tax, fuel tax, and public safety taxes. At this point in time, the City believes its sufficient reserves will assist in filling gaps in reduced revenue sources due to the pandemic. City leadership and staff are continuing to monitor the situation very closely and the impacts this will have on the city budget.

## Special Items

### *Transportation Impact Fee Mitigation Agreement – Richland School District*

On July 30, 2019, the City Council approved the Mayor to sign and execute a Transportation Impact Fee Mitigation Agreement with the Richland School District for the new elementary school on Sunshine Avenue. The City Council also approved deferring the payment of the Transportation Impact Fee for the new elementary school on Sunshine Avenue until August 1, 2020 as the students from Tapteal Elementary will be temporarily using the new school until Tapteal Elementary is reconstructed. The Richland School District is to pay the City a total of \$109,664 in transportation impact fee revenue by August 1, 2020 which will be recorded in the Transportation Impact Fund 355.

### *Land Purchase Racetrack Property – Port of Kennewick*

The City of West Richland purchased approximately 92 acres from the Port of Kennewick on December 30, 2019 for a new police facility and economic development purposes. Approximately 5 acres of the property will be used for a new police facility. The remaining acreage is anticipated to be used for economic development purposes as determined by the city council. The total purchase price was \$1,816,000. The City also paid a 2% art fee and administrative and closing costs for the property totaling \$48,573. The City paid \$548,578 in cash at closing and signed a Deed of Trust and Promissory Note for the remaining \$1,316,000 with the balance due on April 15, 2023 to the Port of Kennewick.

As part of the Purchase and Sale Agreement, the City of West Richland and Port of Kennewick entered into a transfer agreement for rural county capital funds. Within the agreement, the City transfers its rights to receive distributions of that certain portion of the Rural County Capital Fund apportioned to it. The City agreed to assign \$1,316,000 of its allocation from the Fund to the Port of Kennewick for Port economic development projects. At April 15, 2023, the Transfer Agreement will terminate and the City shall be required to pay to the Port any balance remaining of the \$1,316,000 under the terms of the Promissory Note and secured by a Deed of Trust as set forth in the Agreement.

### *Belmont Lot 1 Land Sale – Keenwest Holdings LLC*

In 2019, the City of West Richland sold Belmont Lot #1 which is approximately 2.55 acres of vacant land located near Belmont Boulevard and Keene Road to Keenwest Holdings, LLC in the amount of \$486,529 for commercial development.

### *Sale of Development Services Building – Eyecare Associates of West Richland LLC &/or Assigns*

In 2019, the City of West Richland sold the Development Services Building located at 479 S. 38th Ave to Eyecare Associates of West Richland LLC in the amount of \$495,000.

### *Sale of Two Vacant Lots – Ranchland Homes LLC*

The City sold two vacant lots in 2019 to Ranchland Homes LLC for \$161,000 for commercial development. The two lots, Parcels E and F, are located behind the City's police station off of Van Giesen Street.

### *Sale of Police Building – Ranchland Homes LLC*

In 2019, the City entered into a Purchase and Sale Agreement with Ranchland Homes LLC for the old police building located at 3805 W. Van Giesen. The purchase price is \$395,000. The police building was to close on August 1, 2020 however the City Council approved an amendment to the terms of the Purchase and Sale Agreement on May 19, 2020 to amend the closing date to August 1, 2021. Due to impacts of the COVID-19 pandemic and given the new police facility is not expected to be completed until the end of 2021, both parties agreed to amend the closing date to August 1, 2021.

## Construction Commitments

Project	Spent to date	Remaining Commitment	Funding Source(s)
Brotherhood Reservoir	\$ 3,061,041	\$ 134,600	Drinking Water Revolving Loan Funds, Rural County Capital Funds, and Water/Sewer Utility
Well #11	\$ 211,837	\$ 274,263	Drinking Water Revolving Loan Funds, Rural County Capital Funds, and Water/Sewer Utility
Well #10	\$ 94,249	\$ 34,751	Water/Sewer Utility, Dept of Ecology Grant
Municipal Services Facility	\$ 831,937	\$ 40,151	General Fund, Real Estate Excise Tax, Water/Sewer Utility, Irrigation Utility, and Stormwater Utility
Bombing Range Road Bridge Project	\$ 83,933	\$ 27,866	Federal STP-BR Grant and Transportation Impact Fees
S 38th Ave / Van Giesen Signal	\$ -	\$ 95,154	Rural County Capital Funds
WR Police Facility	\$ 2,397	\$ 298,440	Bond Proceeds
<b>Totals</b>	<b>\$ 4,285,393</b>	<b>\$ 905,226</b>	

Through May 5, 2020, the City has awarded the following construction contracts:

- Bombing Range Road Bridge Rehabilitation Project in the amount of \$499,070.
- Well #11 Engineering Service Contract with JUB – Amendment #4 in the amount of \$226,160 bringing the contract amount to \$693,440.
- Well #10 Engineering Service Contract with JUB – Amendment #3 in the amount of \$449,810 bringing the contract amount to \$648,810.

#### 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 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. The City was involved in a land use lawsuit involving a claim for a declaratory judgment that was disclosed in the 2018 financial statement. The City lost at the trial level but was successful on appeal and the claim for declaratory judgement against the City was dismissed by the Court of Appeals.

#### Other Items

##### *FSA Bank Account*

On December 3, 2019, the City Council approved closing the Bank of the West FSA Account associated with the Employee Cafeteria Benefit Program. The remaining balance was transferred into the City's General Fund 001 in the amount of \$1,191.

#### Note 9 – Pension Plans

##### A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) or the Law Enforcement Officers and Firefighters Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems (DRS), 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, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2019 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	<b>Employer Contributions</b>	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1	\$ 168,538	0.023505%	\$ 903,851
PERS 2/3	\$ 230,265	0.028193%	\$ 273,850
		<b>Total Pension Liabilities</b>	<b>\$ 1,177,701</b>
LEOFF 1		0.006037%	\$ (119,328)
LEOFF 2	\$ 91,746	0.049761%	\$ (1,152,810)

#### LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 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. Starting on July 1, 2000, employers and employees contribute zero percent.

#### LEOFF Plan 2

The City also participates in the LEOFF Plan 2. 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.

#### **Note 10 - Property Tax**



The City of West Richland is required to certify their budget as well as the amount of their taxes levied on November 30th 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 0101). Special levies are approved by voters and not subject to the limitations. The City's regular levy for the year 2019 was \$1.8106732801 per \$1,000 on an assessed valuation of \$1,293,916,211 for a total regular levy of \$2,342,860.

In November 2016, West Richland voters approved a levy lid lift for library operations beginning January 1, 2017 which is included in the levy amount listed above. The levy lid lift replaced a 2.5% addition of electric, telephone, and gas utility taxes beginning January 1, 2017 dedicated to library services and authorizes a permanent increase in the regular property tax levy with a maximum 2017 regular property tax increase of \$0.45 per \$1,000 of assessed value. The maximum allowable levy rate in 2017 serves as the base for subsequent levy limitations as provided by Chapter 84.55 RCW. In 2018, \$0.41 per \$1,000 of assessed value of property tax collected is recorded in a special revenue fund for library operations. The remaining amount of property tax collected is recorded in the General Fund 001.

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Tax bills are mailed to property owners in approximately February of the current year. 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 1<sup>st</sup>, 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 the tax is levied.

#### 2019 Voted General Obligation Bond – Police Facility

On April 23, 2019 in a special election, West Richland voters approved authorizing the City to issue general obligation bonds in the amount of \$12,465,000 for the purpose of acquiring land, constructing, and equipping a larger police facility and providing for safety and technology improvements. The bonds are payable by annual property tax levies to be made in excess of regular property tax levies and are levied as excess property taxes. The excess levy for the police facility bonds begins on January 1, 2020.

#### **Note 11 – Risk Management**

##### **Washington Cities Insurance Authority**

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 163 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$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 \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

### **Association of Washington Cities**

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

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

As of December 31, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

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

### **Self-Insurance**

The City of West Richland is self-insured for unemployment compensation benefits. Claims are administered by the Employment Security Department. In 2019, the City paid 3 unemployment claims totaling \$9,428. The City budgets for unemployment expenses and had sufficient reserves in 2019 to cover unemployment claims.

**City of West Richland  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Public Works Operations Facility and Area Site Improvements GO Bond (2014) - Proprietary	12/1/2034	1,910,000	-	100,000	1,810,000
263.85	Land Purchase Racetrack Property - Port of Kennewick (2019)	4/15/2023	-	1,316,000	-	1,316,000
251.12	Police Facility GO Bond (2019)	12/1/2048	-	11,475,000	-	11,475,000
263.96	Street Light Retro Fit Program - WA State Treasurer LOCAL Program (2015)	6/1/2027	480,000	-	45,000	435,000
263.87	Keene Road Phases 2 and 3 - Wa State Public Works Trust Fund Loan (2004)	6/1/2024	475,000	-	79,167	395,833
263.96	Sewer Vactor Truck - WA State Treasurer LOCAL Program (2015) General Government/Sewer System	6/1/2025	209,241	-	25,599	183,642
<b>Total General Obligation Debt/Liabilities:</b>			<b>3,074,241</b>	<b>12,791,000</b>	<b>249,766</b>	<b>15,615,475</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.30	Pension Liabilities		1,493,090	-	315,389	1,177,701
264.40	OPEB Liabilities		-	1,262,253	-	1,262,253
259.12	Compensated Absences		454,258	495,640	457,431	492,467
263.88	Sewer Interceptor - WA State Public Works Trust Fund Loan (2002)	6/1/2022	331,813	-	82,953	248,860
263.88	Sewer Interceptor - WA State Public Works Trust Fund Loan (2003)	6/1/2023	473,684	-	94,737	378,947
263.88	Michaels Water Right System - WA State Public Works Trust Fund Loan (2004)	6/1/2024	1,494,245	-	249,041	1,245,204
263.88	North Wastewater Treatment Plant Improvements - WA State Public Works Trust Fund Loan (2004)	6/1/2024	165,053	-	27,509	137,544
263.88	North Wastewater Treatment Plant Improvements - WA State Public Works Trust Fund Loan (2005)	6/1/2025	1,594,655	-	227,808	1,366,847
263.88	Water Intertie Booster Pump Station Improvements - WA State Public Works Trust Fund Loan (2012)	6/1/2031	527,020	-	40,540	486,480
263.88	Industrial Process Water Treatment Facility - WA State Public Works Trust Fund Loan (2014)	6/1/2031	1,621,633	-	124,741	1,496,892
263.84	Brotherhood Reservoir Project - Drinking Water State Revolving Fund Loan Program (2015)	10/1/2037	1,673,154	1,447,976	140,210	2,980,920
263.84	Lewis and Clark Well (Well #11) Project - Drinking Water State Revolving Fund Loan Program (2015)	10/1/2037	1,330,522	924,323	118,676	2,136,169

**City of West Richland  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
263.84	Biosolids Processing Facility Project - State Revolving Fund Loan Program (2016)	6/30/2038	1,704,358	-	80,581	1,623,777
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>12,863,485</b>	<b>4,130,192</b>	<b>1,959,616</b>	<b>15,034,061</b>
<b>Total Liabilities:</b>			<b>15,937,726</b>	<b>16,921,192</b>	<b>2,209,382</b>	<b>30,649,536</b>

**City of West Richland**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2019**

	Expenditures								
	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
Highway Planning and Construction Cluster									
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL - 9903 (013) - LA 8415	11,568	-	11,568	-	1,2,3	
	Highway Planning and Construction	20.205	STPUL - 3509 (006) - LA 9365	2,395	-	2,395	-	1,2,3	
	Highway Planning and Construction	20.205	BHM - 3509 (007) - LA 9472	56,869	-	56,869	-	1,2,3	
Total Highway Planning and Construction Cluster:					70,832	-	70,832	-	
Highway Safety Cluster									
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2019-HVE-3229 -REGION 14	2,005	-	2,005	-	1,3	
	National Priority Safety Programs	20.616	2019-HVE-3229 -REGION 14	227	-	227	-	1,3	
Total Highway Safety Cluster:					2,232	-	2,232	-	

The accompanying notes are an integral part of this schedule.

**City of West Richland**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2019**

	Expenditures						Passed through to Subrecipients	Note
	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards		
Drinking Water State Revolving Fund Cluster								
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-176	924,323	-	924,323	-	1,3,4,5
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-170	947,077	-	947,077	-	1,3,4,5
Total Drinking Water State Revolving Fund Cluster:				1,871,400	-	1,871,400	-	
Total Federal Awards Expended:				1,944,464	-	1,944,464	-	

# City of West Richland

## **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City of West Richland financial statements. The City of West Richland uses the Other Comprehensive Basis of Accounting.

Note 2 – 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 of West Richland 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 3 – Indirect Cost Rate

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

Note 4 – SRF Loans

The amounts shown as 2019 loan expenditures represent only the federal portion of the loan funds the City received as reported to the City by the state agency

Note 5 – Federal Expenditures Reported for SRF Loans

At the time the 2018 Schedule of Federal Awards was prepared and audited in 2019, the awarding agency, Department of Health, declared certain expenditures as state funds. In 2020, the City was notified by Department of Health that the funding sources had been switched from state funds to federal funds. Award I.D. number DM13-952-176 had 2018 federal expenditures in the amount of \$724,210.99 and award I.D. Number DM13-952-170 had 2018 federal expenditures in the amount of \$57,005.19. These 2018 federal expenditures have been reported on the 2019 SEFA.



## 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.

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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