



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

**Financial Statements and Federal Single Audit  
Report**  
**City of Richland**

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

**Published December 28, 2020**

**Report No. 1027478**





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

December 28, 2020

Mayor and City Council  
City of Richland  
Richland, Washington

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

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

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

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

##### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

##### Federal Awards

##### Internal Control over Major Programs:

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

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

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

## **Identification of Major Federal Programs**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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 Richland  
January 1, 2019 through December 31, 2019**

Mayor and City Council  
City of Richland  
Richland, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Richland, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2020.

As discussed in Note 13 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 13.

**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

December 22, 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 Richland**  
**January 1, 2019 through December 31, 2019**

Mayor and City Council  
City of Richland  
Richland, Washington

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

We have audited the compliance of the City of 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

December 22, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Mayor and City Council  
City of Richland  
Richland, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Richland, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic 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 accounting principles generally accepted in the United States of America; this includes 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Richland, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 13 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 13. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board

who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 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.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

December 22, 2020

## **FINANCIAL SECTION**

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

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2019

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation of Balance Sheet to the Statement of Net Position – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2019

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to  
the Statement of Activities – 2019

Statement of Revenues, Expenses and Changes in Fund Balances – Budget and Actual  
General Fund – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2019

Statement of Cash Flows – Proprietary Funds – 2019

Statement of Net Position – Fiduciary Funds – 2019

Notes to Financial Statements – 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in Total OPEB Liability and Related Ratios Post Employment  
Healthcare Plan – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios LEOFF 1 – Firefighters  
and Police OPEB – 2019

Schedule of Changes in Net Pension Liability and Related – Fire and Police OPEB –  
2019

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,  
LEOFF 2 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2019



## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2019

Notes to the Schedule of Expenditures of Federal Awards – 2019

## INTRODUCTION

The management of the City of Richland is pleased to present this discussion and analysis of the 2019 Comprehensive Annual Financial Report. The intent is to introduce the reader to the City's operations, explain how they are presented in this report, highlight significant financial activities during the period and provide a look at what is anticipated in the future for the City. This discussion and analysis should be considered in conjunction with the Letter of Transmittal as well as the other components of the report.

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

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

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

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



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

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



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

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

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

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

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

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

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

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

**Government-Wide Financial Statements** present the City's financial position as a whole as of December 31, 2019, and the activities that resulted in that position. It further provides the financial position and activities of the component unit. The financial position is found in the Statement of Net Position, while the activities resulting in the ending financial position are found in the Statement of Activities. Governmental and business-type activities are aggregated in their own respective columns.

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

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

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

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

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

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

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

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

## FINANCIAL HIGHLIGHTS

This discussion and analysis provides information on the amounts and activities presented in the summarized Government-Wide Statements, compared to the prior year, as well as significant events and transactions that impacted the City's financial activity during 2019. In previous financial statements utility occupation taxes paid by the Enterprise Funds to the General Fund were reported as transfers. After reviewing GAAP guidance and industry practice, a decision was made to report these utility taxes as an operating expense rather than as transfers in the 2019 CAFR. In the following analysis the prior year amounts for transfers and for Business-type expenses are restated to reflect that change.

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

### Condensed Statement of Net Position

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2019	2018	2019	2018	2019	2018
Current & other assets	\$ 107,861,805	\$ 94,137,178	\$ 53,107,929	\$ 49,815,936	\$ 160,969,734	\$ 143,953,114
Restricted assets			38,694,306	33,224,365	38,694,306	33,224,365
Capital assets, net	181,725,095	158,329,687	298,216,130	282,349,359	479,941,225	440,679,046
Total assets	289,586,900	252,466,865	390,018,365	365,389,660	679,605,265	617,856,525
Deferred outflows of resources	3,916,601	3,561,107	2,633,338	2,445,856	6,549,939	6,006,963
Current liabilities	13,436,543	13,507,639	19,600,222	16,976,809	33,036,765	30,484,448
Long-term liabilities outstanding	81,244,974	88,710,760	126,587,256	127,212,528	207,832,230	215,923,288
Total liabilities	94,681,517	102,218,399	146,187,478	144,189,337	240,868,995	246,407,736
Deferred inflows of resources	9,083,672	8,166,398	3,854,104	3,458,649	12,937,776	11,625,047
Net Position:						
Net investment in capital assets	137,734,724	115,682,836	193,750,024	178,824,569	331,484,748	294,507,405
Restricted	34,155,664	26,047,147	20,617,643	18,131,696	54,773,307	44,178,843
Unrestricted	17,847,924	3,913,192	28,242,454	23,231,265	46,090,378	27,144,457
Total net position	\$ 189,738,312	\$ 145,643,175	\$ 242,610,121	\$ 220,187,530	\$ 432,348,433	\$ 365,830,705

Amounts may not foot exactly due to rounding



## Condensed Statement of Activities

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2019	2018	2019	2018, restated	2019	2018, restated
<b>REVENUES:</b>						
Program Revenues:						
Charges for services	\$ 21,944,464	\$ 19,396,707	\$ 122,660,816	\$ 114,825,969	\$ 144,605,280	\$ 134,222,676
Operating grants & contributions	1,604,826	1,728,186	83,577	71,628	1,688,403	1,799,814
Capital grants & contributions	18,633,098	11,936,936	7,027,369	9,495,661	25,660,467	21,432,597
General Revenues:						
Property taxes	18,939,382	18,319,976			18,939,382	18,319,976
Other taxes	41,982,906	37,315,141			41,982,906	37,315,141
Other	9,653,687	7,419,092	2,204,732	1,230,805	11,858,419	8,649,897
Total revenues	112,758,363	96,116,038	131,976,494	125,624,063	244,734,857	221,740,101
<b>EXPENSES:</b>						
Judicial	599,116	787,356			599,116	787,356
General government	15,831,173	14,126,892			15,831,173	14,126,892
Public safety	29,194,924	31,185,534			29,194,924	31,185,534
Transportation	7,135,385	7,516,617			7,135,385	7,516,617
Health & human services	15,748	13,806			15,748	13,806
Economic environment	5,109,855	4,717,912			5,109,855	4,717,912
Culture & recreation	8,613,042	8,332,412			8,613,042	8,332,412
Interest on long-term debt	1,427,307	1,500,043			1,427,307	1,500,043
Electric			72,855,019	70,801,593	72,855,019	70,801,593
Water			12,332,021	12,828,958	12,332,021	12,828,958
Wastewater			8,596,204	8,568,523	8,596,204	8,568,523
Solid waste			8,952,933	9,282,313	8,952,933	9,282,313
Stormwater			1,419,133	1,467,112	1,419,133	1,467,112
Golf course			1,815,612	1,789,526	1,815,612	1,789,526
Medical services			4,571,069	4,012,805	4,571,069	4,012,805
Broadband			270,228	231,724	270,228	231,724
Total expenses	67,926,550	68,180,572	110,812,219	108,982,554	178,738,769	177,163,126
Excess/(deficiency) before transfers	44,831,813	27,935,466	21,164,275	16,641,509	65,996,088	44,576,975
Transfers	(1,129,657)	(1,570,145)	1,129,657	1,570,145		
Change in net position	43,702,156	26,365,321	22,293,932	18,211,654	65,996,088	44,576,975
Net position, January 1	145,643,175	117,097,174	220,187,529	201,975,875	365,830,704	319,073,049
Prior period adjustments	392,979	2,180,680	128,659		521,638	2,180,680
<b>Net position, December 31</b>	<b>\$ 189,738,310</b>	<b>\$ 145,643,175</b>	<b>\$ 242,610,120</b>	<b>\$ 220,187,529</b>	<b>\$ 432,348,430</b>	<b>\$ 365,830,704</b>

Amounts may not foot exactly due to rounding

## FINANCIAL RESULTS

### Government-Wide Activities

Overall, the City's 2019 activities resulted in a \$66.0 million increase in net position before applying prior period adjustments. Adjustments to beginning net position reflecting prior period activity resulted in an additional \$521,638 increase, for a total increase in net position of \$66.5 million. A discussion of these adjustments can be found under the heading "Prior Period Adjustments" in Note 1 to the Financial Statements. By comparison, net position increased \$44.6 million in 2018 before prior period adjustments. The continued growth from one year to the next is a reflection of the City's long-term approach to the economic environment within which the City operates. Of the total net position at December 31, 2019, \$46.1 million is unrestricted and available to finance future activities. Looking deeper into the Government-Wide Statements, governmental activities' net position increased \$43.7 million before prior period adjustments, while net position increased \$22.3 million as a result of business-type activities.



Total revenues on the Government-Wide Statement of Activities were \$23.0 million higher than the prior year. Governmental revenues were \$16.6 million higher than the prior year, while business-type activity revenues were \$6.4 million higher. In the Business-type activities, charges for services increased \$7.8 million and capital grants and contributions were \$2.5 million lower in 2019. A more in-depth discussion of major business-type funds occurs later in this discussion and analysis.



Governmental activities' charges for services increased \$2.5 million over the prior year. Of this increase, over \$1.4 million came from higher fee revenues related to building construction growth within Richland, from permitting, plan checking, and impact fees for parks and streets. Another \$427,672 increase relates to the 10% "commission" retained by the City's Industrial Development fund on sales of surplus City real estate. \$703,532 of the increase was due to bringing on additional personnel to staff the Benton County Emergency Services SECOMM (911 dispatch) system after bringing on Franklin County as a member and expanding dispatch services to that area. Franklin County entities pay personnel charges for their share of Richland employees that staff the SECOMM dispatch center.

*...the City's 2019  
activities resulted in a  
\$66 million increase in net  
position ...*

Governmental activities' operating grant and contribution revenues decreased \$123,360 from the prior year. Mainly this was due to a \$211,483 reduction in HUD-related grants in the Economic Environment functional area, partially offset by increases in various grants and contributions in the Public Safety function and in Hanford Communities assessments.



Governmental activities' capital grants and contributions increased \$6.7 million over the prior year. Capital grants typically fluctuate depending upon the projects that are being pursued. Transportation grants and contributions for street construction projects account for nearly \$3.4 million of this increase, due to Department of Transportation funding for the reconstruction of a portion of George Washington Way in central Richland. Another \$3.2 million in private capital contributions was received towards construction of Richland's next public safety station (fire station with space for police presence), and finally, \$350,000 in Rural County Capital funding went towards reconstruction of Swift Boulevard, adjacent to the new City Hall facility. In the governmental funds financial statements, grants from public agencies are reported as intergovernmental revenues, while private contributions are reported in miscellaneous revenues.

In the general revenues section of the Statement of Activities, total tax revenues increased by \$5.3 million over the prior year. This in spite of the fact that for 2019, for the tenth year in a row, the City chose not to take the 1% increase to the property tax levy on existing property. Nevertheless, new construction remained steady, resulting in an increased tax base and a \$619,406 increase in property tax revenues. Sales tax revenue continued its upward trend, posting a \$2.0 million increase due to increases in sales activity, especially as construction contracting and retail trade continue to expand. Utility taxes collected from City and non-City utilities operating within Richland's boundaries increased \$891,847 over the prior

year, mainly due to increases from the City's Electric and Solid Waste utilities, and from taxes received from Telephone companies. Real Estate Excise Tax increased \$1.4 million, buoyed by another year of continued gains in the local real estate market, coupled with one larger than usual transaction involving property in the Industrial Park. Minor increases and decreases in other taxes occurred, rounding out the rest of the increase in tax revenues.

Other general revenues include investment earnings, gains on disposition of assets, and other miscellaneous revenues. Investment earnings increased \$695,238, due to increases in cash available for investment, as well as investment earning rates showing strong growth through the end of 2019.

Gain on sale of capital land and land held for resale in 2019 was \$2.7 million higher than the prior year. This revenue is highly variable depending on the interest of potential buyers in acquiring land primarily in the City's industrial area. Some years may see only a few acres sold. In 2019 there were approximately 95 acres sold. By comparison, in 2018 there were approximately 36 acres sold. In addition, City-owned capital land underlying two privately-owned office buildings in the Central Business District was sold that had previously been held by the City and leased out.

Miscellaneous revenues decreased a total of just over \$2.3 million from 2018 to 2019. In both years, miscellaneous revenues consisted primarily of road and lighting infrastructure contributed to the City by developers.

Moving on to the expense side, salaries and benefits are the most significant expense to the City, aside from wholesale power purchases. On the City-wide Statement of Activities, total noncapital expenses increased by \$1.6 million over the prior year. Governmental-type activity expenses were nearly unchanged from the prior year, showing a \$254,022 decrease, while business-type activity expenses increased \$1.8 million.

Looking at the Governmental activities' expenses change by functional category, we noted the following larger variances in comparison with the prior year: General Government increased \$1.7 million, while Public Safety expenses decreased by approximately \$2.0 million.

In business-type activities, electric utility expenses increased \$2.1 million; water utility expenses decreased \$496,937; solid waste utility expenditures decreased \$329,380; Medical services utility expenses increased \$558,264; and other business-type fund expenses increased a combined total of \$44,292. More detail on activities of the major business-type funds is presented later in this discussion and analysis.

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

### **Governmental Activities**

Governmental activities account for \$189.7 million in total net position at year end, a \$44.1 million increase over the prior year. The unrestricted portion of ending net position was \$17.8 million. The primary contributors to governmental activities' total net position are usually capital and debt-financed capital activities, as well as operating activities found in the City's General Fund.



**Capital and Debt-Financed Capital:** Governmental activities' net investment in capital assets increased \$22.1 million in 2019. This balance is a reflection of not only capital purchases, but also the effect of depreciation expense and changes to general obligation debt, which financed past and current capital outlays. Of the \$240.9 million in total city liabilities, \$38.2 million or 15.86% is governmental activities' general obligation debt (i.e. payable on the full faith and credit of the City) related to capital activities. \$9.6 million in general obligation debt is voter approved and supported by a special property tax levy, while the remaining \$28.6 million is non-voted or "Councilmanic" debt.



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

Improvements to the City's parks and transportation infrastructure continue to remain a high ongoing priority for the City. City facilities have also risen in priority in the last few years, especially as the population increases and the City's borders continue to expand. The following were some of the major governmental capital outlays for fiscal year 2019. For more information on capital assets see Note 3 in the Notes to the Financial Statements.

- As part of the Swift Corridor capital program, the current City Hall was replaced. During 2019 the City's spent \$4.1 million to complete construction. The new City Hall facility, located at 625 Swift Boulevard, officially opened to the public on May 28, 2019.
- A portion of Swift Boulevard adjacent to the new City Hall, Jadwin Ave. to Stevens Blvd. was reconstructed. Approximately \$2.1 million was spent on street and utility infrastructure.
- The final phase of resurfacing and streetscaping on George Washington Way began in 2019. The City spent nearly \$4.2 million on this phase, which completes the roughly 4.6 mile section from just north of Guyer Ave. to Horn Rapid Road in N. Richland.
- The City anticipates the need for additional fire stations to meet current and future demands as our population grows and spreads towards our borders. To prepare for this need, the City spent \$260,568 to purchase land for a proposed future fire station near the intersection of Leslie and Reata roads.
- Several road improvement projects are planned as part of an Economic Development initiative to open up more areas in the City's Horn Rapids area. In 2019 \$1.1 million was spent to extend Battelle Blvd., west of Kingsgate Way.
- The City is in the process of replacing its Enterprise Resource Planning (ERP) software. Capital outlay related to software licensing and configuration totaled \$494,832 in 2019. Phase I of this project, consisting of the core financial system, went live in October 2019.

- The Duportail Bridge project has been considered the City's highest priority transportation project for a number of years. Actual construction began in 2018, with the groundwork, a soundwall and bridge footings being placed. In 2019 the bridge deck was constructed. The City spent \$10.6 million on the bridge project in 2019, funded by State and Federal grants.
- Over \$450,000 in capital expenditures went toward many different park, recreation and open space projects throughout the City, including improvements at Columbia Playfields, Trailhead Park, Columbia Point Marina Park, and several other locations. Also included in this amount are Wayfinding and Entryway improvements to provide enhanced directional signage to visitors to the area.

### **Major Governmental Funds**

**General Fund** activity resulted in a fund balance increase of \$4.6 million in 2019. In comparison, 2018 General Fund activities resulted in a \$625,168 increase. Revenues increased by \$5.0 million or 9.0%, while expenditures increased only \$1.4 million or 2.8%. In addition to revenues and expenditures, the General Fund receives transfers from other funds, and also transfers money out to other funds. Interfund transfers into the General fund dropped by \$659,000 in 2019 versus the prior year. In 2018 there was a budgeted one-time \$650,000 transfer from Real Estate Excise tax (REET) funds to fund land purchases for fire stations. Interfund transfers out of the General Fund decreased by nearly \$1.1 million due to several one-time capital related transfers in the prior year.

Tax revenues are the primary revenue source for the General Fund, and represents over two-thirds of the total increase in fund revenues over the prior year. Sales taxes and property taxes both increased, by \$2.0 million and \$736,659, respectively, mainly due to new residential and commercial construction and the continued expansion of retail and restaurant locations in Richland. As mentioned earlier, utility taxes also showed a healthy increase. Licenses and permits revenue increased \$635,854, due mainly to an increase in building permit revenues. Charges for services increased \$464,244, mainly related to cost allocation charges to City departments outside the General Fund and Plan Checking revenues offset by various other smaller increases and decreases.

General Fund operating expenditures on the 2019 Statement of Revenues, Expenditures and Changes in Net Position were \$1.4 million higher than the prior year. The increases mainly occurred in general government and public safety expenditures. Salaries and benefits, the largest expenditure in the General Fund, held steady in 2019, with only a \$159,458 increase over the prior year.



With the many challenges facing the City's primary operating fund, great care is taken to monitor its activities relative to the annual budget approved by the City Council. As described in Note 1 in the Notes to the Financial Statements, this fund is budgeted in accordance with Washington State law and City policies, such that revisions to the budget are carefully administered. A Schedule of Revenues, Expenditures and Changes in Net Position "Budget and Actual" is provided within the CAFR, to present comparisons between actual revenues and expenditures, and the original and amended final budgets. Overall, revenues and expenditures were 108% and 90% of their respective adjusted budgets. The largest budget-actual dollar variance in revenues was in taxes, at \$3.96 million more than the adjusted budget, a 9.3% variance. This was followed by charges for goods and services, at (\$1.1)

million, or 12.4% lower than the adjusted budget, related primarily to interfund charges and cost allocation. The largest budget-actual dollar variance in expenditures, by function, was in general government operating expenditures, which came in \$3.3 million below the adjusted budget. This was primarily due to budgeted expenditures for the ERP project in the Information Technology department (\$1.76 million), in utility and repair expenses in the Facilities department (\$347,516), and in salary savings from vacant positions in various departments. Most of the IT division amounts not spent in the current year are carried over to the subsequent year to continue this project. Other less significant general governmental budget variances occurred throughout the remaining divisions. Public Safety capital outlay came in \$1.6 million below budget. This was due to projects that were budgeted but not completed during the year. Projects included a \$43,860 expanded program for replacement SCBA equipment for the fire department, the \$158,914 balance of REET funds budgeted for land purchases for future fire stations, and \$1,433,860 in budgeted contributions toward a regional animal control shelter still in the design phase.

The following are the more significant adjustments made to the General fund original budget in 2019.

- Due to another particularly heavy snow season in early 2019, General Fund transferred an additional \$93,558 to the Streets Fund to cover snow and ice control expenses.
- Due to unanticipated complexity in litigated cases that required specialized expertise from outside counsel, an additional \$650,000 was appropriated for legal fees.
- An additional \$325,604 was appropriated for software licensing and upgrades.
- An additional \$147,594 was appropriated for merchant fees associated with processing credit card payments in Customer Service.
- Budget carryovers for prior year uncompleted projects and encumbrances totaled \$5,724,705.



**Streets Construction Fund** activities resulted in a fund balance decrease of \$82,948 in 2019. By comparison, 2018 activities resulted in a \$2.3 million increase to fund balance. Revenues increased by \$3.8 million or 31%, while expenditures increased \$3.4 million or 20%. Other financing sources decreased \$2.8 million or 41%.

Intergovernmental revenues, generally grants, are the primary revenue source for the Streets Construction Fund, as most projects in this capital project fund are grant-reimbursable. Grants represent nearly \$3.2 million of the increase in revenues over the prior year. Traffic impact fees increased \$355,493 or 82%. Miscellaneous revenues in 2019 consisted of private source contributions toward a construction projects.

The largest project currently accounted for in the Streets Construction Fund is the Duportail Bridge. Capital expenditures on the project were \$10.6 million or 53% of all 2019 expenses in the fund. The Duportail Bridge is the final segment in the Duportail/Stevens Corridor strategy to provide improved multi-modal connectivity between central Richland and the Queensgate area. Construction began in March 2018 and it is anticipated the bridge will open to traffic in the fall of 2020.

### **Business-Type Activities**

Business-type activities resulted in an ending net position of \$242.6 million, reflecting an increase of \$22.4 million. Unrestricted net position increased by \$5.0 million to provide a total of \$28.2 million in available resources to finance future activities of the business-type funds. The primary contributors to business-type net position are activities found in the City's three major business-type funds: the Electric, Water and Sewer Funds, which comprise 81.3% of the total business-type net position.

**Electric Fund** activities increased ending net position by \$5.2 million or 10.0% above the previous year-end balance. Annual debt repayment of \$2.9 million and depreciation of \$5.9 million were offset by the utility's \$10.2 million investment in capital. In response to forecasted growth in customer and consumption base, \$10.2 million in capital outlays was for projects that constructed, renewed and extended existing distribution infrastructure, as well as improved and expanded substation infrastructure. Capital outlay for equipment, machinery and software totaled over \$17K.

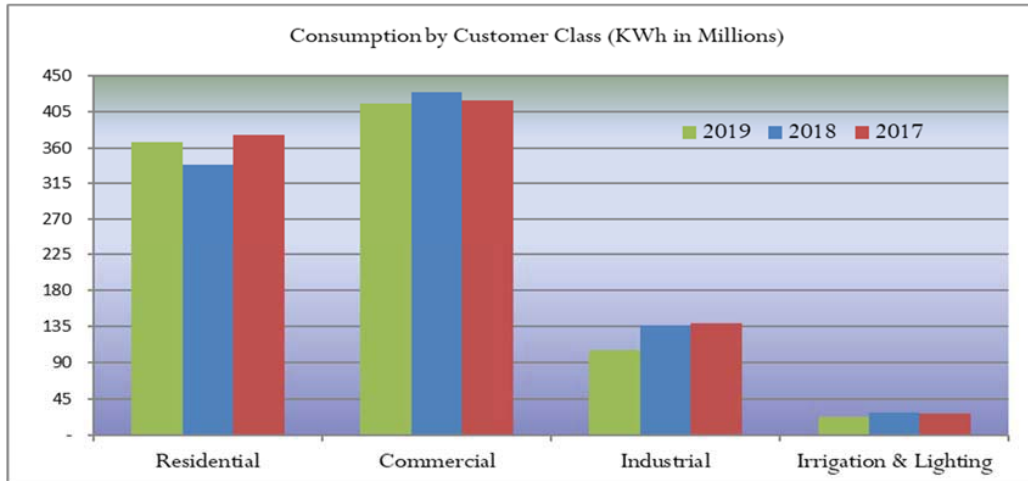
Operating revenue increased \$6.0 million or 8.6% as a result of a rate increase, new customer loads and weather inconsistencies. An 8.0% system-wide rate increase went into effect on June 1, 2019. The last rate change went into effect on January 1, 2018.

System-wide energy consumption decreased 2.2% and total customer accounts increased 2.0% in 2019. When looking at energy consumption changes by customer class, residential consumption increased by 8.4%, commercial consumption decreased by 3.3% and industrial consumption decreased 22.4%. The irrigation and lighting class increased by 16.8%. A consumption reporting duplication was identified in 2019. The revenue related to consumption is still correct and only when customer bills were cancelled and rebilled was the duplication occurring. A new consumption reporting tool was created and, as a result, reset the consumption data reported by customer class.

Energy consumption is largely dependent on weather conditions, particularly for residential and commercial customers. Weather was unusually cold in the spring and fall of 2019 compared to previous years. Trends of increasing commercial loads from economic development activity and decreasing residential energy consumption as a result of the City's energy conservation program investment are expected.

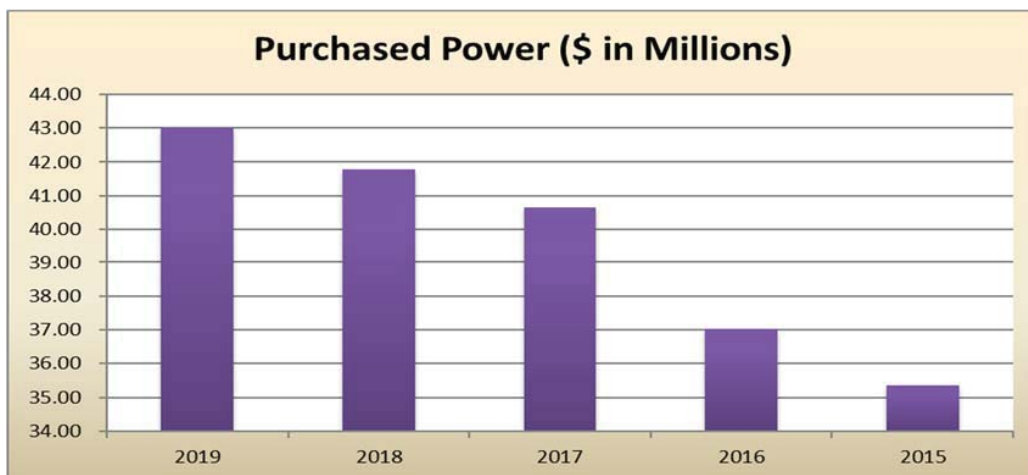
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The following graphs summarize energy revenue and consumption by customer class:



Operating expenses increased \$1.9 million or 2.9% over the prior year. The increase was focused around higher wholesale power costs. The utility has been challenged in recent years by the various issues involved in wholesale power purchases. BPA continues to see an increase to the cost of providing power, which then gets passed on to its customers including public power utilities. Richland, in tandem with other regional utilities, is constantly evaluating alternatives for its future wholesale power supply. Operating expenses are continually being mitigated by cost containment measures taken during the budget development process.

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



Standard & Poor's (S&P) changed the Electric Utility's credit rating on outstanding bonded debt from A+ to A with a Stable Outlook. This slight downgrade reflects S&P's updated "U.S. Municipal Retail Electric And Gas Utilities: Methodology And Assumptions" published Sept. 27, 2018, fixed-charge coverage levels, and decline in unrestricted cash. Notwithstanding, maintaining a base "A" rating is a significant reflection

of the utility's financial strength and stability. The rating also recognizes management's willingness to maintain adequate reserves, adjust rates and acquire additional capital financing when necessary. Maintaining or improving this credit rating is a key objective in minimizing debt service expense on future revenue bond sales.

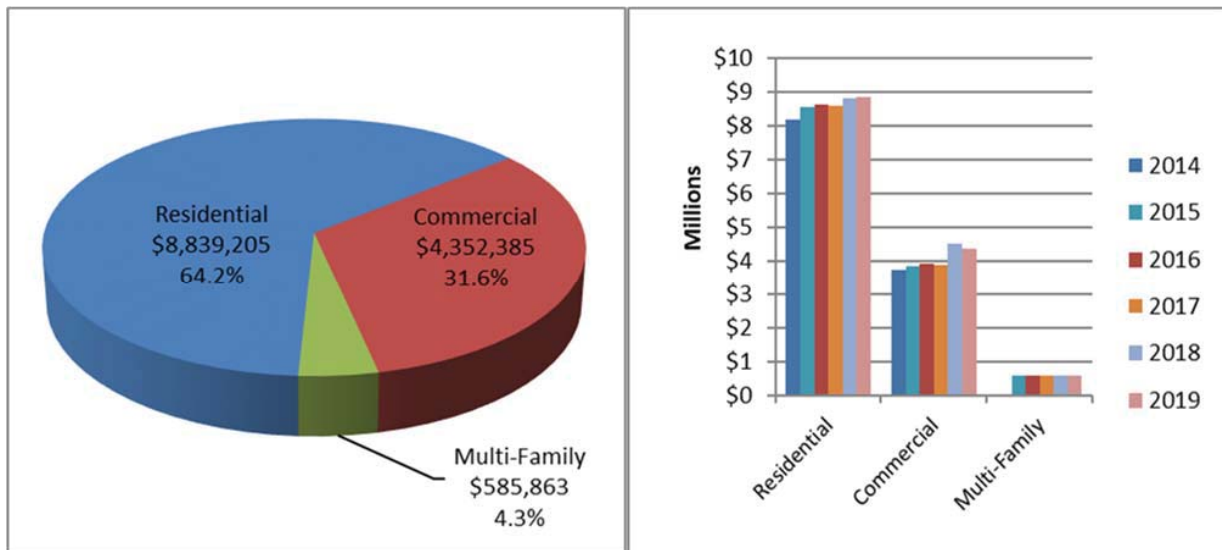
**Water Fund** activities generated a net position increase of \$6.5 million in 2019. Operating income was \$3.8 million. When compared to 2018, the water utility experienced an increase in operating income of \$431,407. Operating revenues were down \$6,156 when compared to 2018 and operating expenses decreased \$437,563. Investment earnings improved by \$262,704 and interest expense increased \$7,168. The utility also experienced a decrease of \$1,344,025 in non-operating revenue, primarily related to decreased receipts from a capital construction grant. The utility recognized capital contributions of \$2.9 million in 2019. Fifty-five percent of these contributions were received from private sources, valued at \$1.58 million. This addition reflects the fair market value of capital improvements that were built and funded privately, and subsequently gifted to the City after the assets were placed in service. Donated capital is recognized when the development is completed and accepted by the City. Therefore, the timing in regards to recording the acceptance may vary. When compared to 2018 activity, the private donations of developed capital decreased by \$365,006. The remaining capital contribution revenue is tied to new service requests that result in facilities fees charged to the owner. The facilities fee revenue for 2019 increased as compared to 2018 by \$203,827, or 24%. The utility transferred out \$20,000 in support of a multi-year cost sharing effort to install fiber optic cable backbone. Installation of a fiber optic network will benefit the water utility's communication system. This effort continues in 2020.

There was a decrease of \$125,263 in potable water sales to metered water services at the same time there was an increase of \$18,676 in sales to irrigation district customers, an increase of \$56,000 in sales to public fire protection districts and an increase of \$52,451 in water meter installation fees.

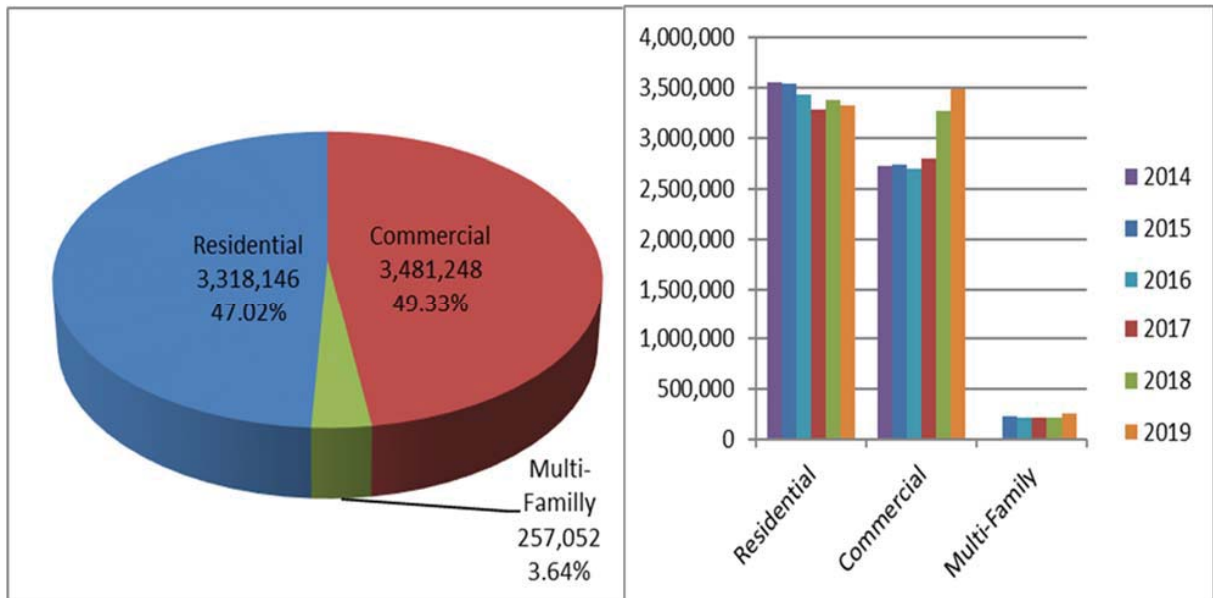
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**Water revenue-composition and annual comparison by customer class (in millions):**



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



In 2019, the operating expenses decreased by \$437,563 when compared to 2018. Salaries and benefits increased approximately 1.4% or \$35,623. This cost was offset by a reduction to the annual pension expense of \$153,522.

The cost of supplies are typically outside the control of the utility. Timing and fluctuation of chemical needs and maintenance supplies can have a volatile effect on expenses. When comparing 2019 to 2018, these costs were relatively flat with a slight increase of \$1,558.

As implied by the title, other service expenditures are driven by events that require outside input for the utility. For example, repairs to equipment or payment for a license or permit. Oftentimes an event, like the failure of a piece of equipment, necessitates such expenditures. Costs in this category decreased by \$131,674 when compared to 2018. The water utility uses a significant amount of electrical power at the treatment plant and pumping stations throughout the City. For 2019, a mid-year 2018 increase in the electric rate had an impact on expenses, which resulted in a \$52,936 increase of utility expenses when compared to 2018. The utility also experienced a decrease of \$181,053 for consultant and outside services. The remaining \$3,557 was spread across multiple cost categories.

Interfund services expenses increased \$512 when compared to 2018. These consist of work performed by other City departments for the benefit of the Water utility. Included in this expense are cost allocation assessments, meter reading services, the cost of fleet replacement contributions, maintenance and fuel costs. Fleet related charges increased \$14,104 when compared to 2018. Charges for service work by other departments decreased \$2,249 from 2018. City-wide cost allocation assessments saw a decrease of \$52,350. Changes to the cost allocation model and a revised schedule for the implementation of information technology enhancements resulted in fluctuations of expenses. The Water utility also experienced an increase in the assessment for engineering services of \$90,262.

Tax expense decreased in 2019 by \$3,336 and there was a decrease of \$18,511 in the recognition of bad debt expense. A decrease in revenue often has a corresponding effect on related expenditures.

Finally, depreciation expense decreased in 2019 by \$166,240 over the previous year.

In 2019, the utility made the following significant investments in its capital infrastructure:

- In 2019, the water utility continued work on system distribution renewal and replacement. The project cost for the year was \$298,384.
- The utility began initial work to install a new waterline crossing the Yakima River in 2018. The existing pipeline is vulnerable to damage during flooding and the new line will be mounted on the Duportail Bridge. The project cost for 2019 was \$1,738,200.
- The utility is working to replace and modify the inlet structure with new screens that comply with current environmental standards. More than ninety percent of current supplies are withdrawn from the Columbia River intake facility at Snyder Street. Capital spending for this effort was \$126,059 for the year.
- A project to remove, upsize and replace water line in Leslie Road and install water main in Orchard Way and Broadmoor Street was completed in 2019 at a project cost of \$400,941.

The capital related debt of the water and sewer utilities comprise a large portion, \$31.9 million, or 21.6% of all revenue debt and 14.7% of all City long-term borrowing. The water utility debt equals \$20.6 million, or 9.5% of all City long-term borrowing. The debt of the water utility is comprised of bonded debt, Public Works Trust Fund Loans, and State Safe Drinking Water Revolving Fund loans. The Public Works Trust Fund



and Safe Drinking Water Revolving Fund loans were issued at a coveted, below-market interest rate.

Also, similar to the electric utility, the water utility is required to reserve a portion of its unrestricted net position, related to the downgraded rating of its bond insurers. The water utility has adhered to this requirement and restricted \$1.21 million, as evidenced on the utility's balance sheet. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in May 2017.

**Sewer Fund** activities generated a net position increase of \$3.7 million in 2019. When compared to 2018, the utility recognized an increase in operating income of \$59,573. Total operating income was \$1.51 million for 2019. This fluctuation was the result of growth in operating revenues of \$155,817 and an increase in operating expenses of \$96,244. Interest earnings, which contribute to the non-operating activity, were \$153,599 higher in 2019 as compared to 2018. Interest expense decreased by \$11,269 in 2019 and non-operating revenues increased \$30,031 over 2018.

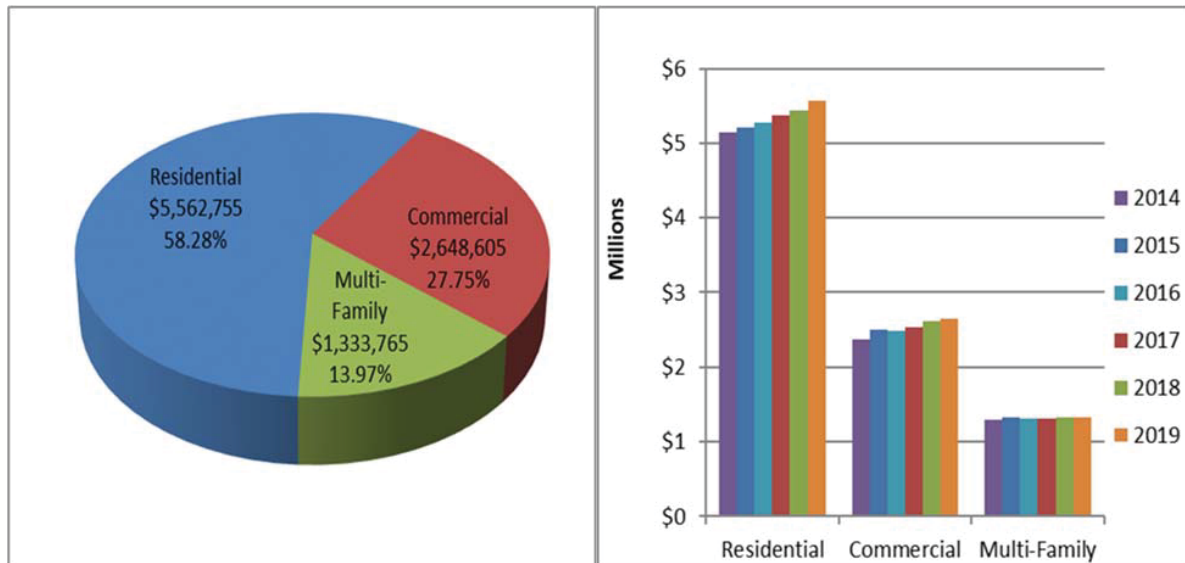
In 2019, the utility recognized capital contributions of \$2.2 million. Of this addition, \$977,636 reflects the value of capital improvements that were built and funded by private development, and subsequently gifted to the City once placed in service. Donated capital is recognized as the development is completed and accepted by the City. The remaining capital contribution revenue, \$1,260,931, is tied to new utility service requests that result in facilities fee charged to the owner.

The utility transferred out \$5,000 in support of a multi-year cost sharing effort to install a fiber optic cable backbone. Installation of a fiber optic network will benefit the wastewater utility's communication system. This effort continues in 2020.

The Sewer utility's most recent rate change went into effect during 2010. Therefore, any increase in residential revenue is directly tied to customer growth. In 2019, residential revenue increased \$126,993, or 2.3%, over the 2018 total. For the commercial and multifamily classes of service, water consumption is also a component in the calculation of the bill. Revenue from the multifamily class of customers stayed relatively level when compared to 2018, with a 0.15% decrease, while the commercial class experienced a slight fluctuation, with a 1.18% increase.

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



In 2019, the operating expenses of the City's sewer utility increased \$96,244 when compared to 2018. Salaries and related expenses decreased approximately 10.8% or \$284,762. Of this, actual wages declined 7.4% and the corresponding benefit costs decreased 16%. Additionally, the utility recognized an increase of \$14,898 in net pension and other post-employment benefit expenses when compared to 2018.

The cost of operating supplies are typically outside the control of the utility. Timing and fluctuation of chemical, software, and maintenance supplies drove costs down \$41,619 when compared to 2018.

Other service expenditures are driven by events that require outside assistance for the utility. For example, repairs to equipment or payment for a license or permit. Often times an event, like the failure of a piece of equipment, necessitates such expenditures. Costs in this category increased by \$100,499 when compared to 2018. The utility experienced an increase of \$30,260 for insurance costs, \$12,434 for repairs to equipment, and \$65,270 in an employee related expense. There was an overall reduction of \$29,093 for consultant services. There was also an increase of \$16,200 for rental services and \$5,722 in training costs. The remaining \$294 decrease was spread across multiple cost categories. The sewer utility also experienced an increase in their assessment for engineering services of \$71,457 and an overall increase of \$71,457 in expenses for services provided to the utility by other departments.

Tax expenses increased in 2019 by \$32,588 and there was a decrease of \$8,976 in the recognition of bad debt expense. Finally, depreciation expense decreased in 2019 by \$37,698 from the previous year.

In 2019, the utility made several investments in its capital infrastructure:

- Construction continues on the Collection System renewal and replacement project. In 2019 \$1,366,410 was invested toward this project.

- Construction continued in effort to rehabilitate the influent building and provide a new mechanical fine screen. In 2019, \$97,224 was invested toward this project.
- The utility remains focused on improving its Wastewater Treatment Facility. The utility has planned annual improvements to eliminate downtime and ensure effective wastewater treatment. For 2019, the total spending on these capital improvements was \$48,602.

The sewer utility capital debt equals \$11.3 million, or 5.2% of all City long-term debt. The debt of the utility is comprised of bonded debt and an American Recovery and Reinvestment Act loan. The sewer utility has complied with bond covenant requirements and restricted \$733,556 toward a debt service reserve account. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in May 2017.

## ECONOMIC OUTLOOK

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

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 universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The City budgets conservatively and maintains appropriate reserves to help mitigate economic fluctuations and unforeseen events. At this time, there are no known material financial or operational impacts to the City. The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time.

The City expects growth to slow or stall through 2020 due to the effects of the COVID-19 shutdowns, but begin to recover in 2021.

Work on the Hanford nuclear cleanup north of Richland is ongoing, contributing to the employment stability of the area. Richland continues to enjoy strong new construction activity, including retail centers, office, and multifamily development. The Queensgate area continues to be an area of strong growth with a retail/commercial focus. Road improvements, including the ongoing construction of the Duportail Bridge, which is scheduled to open in the fall of 2020, will increase ease of access over the Yakima River between Queensgate Drive and Central Richland. Columbia Point and South Richland are seeing an increase in both office and commercial construction and development.



The City continues to work on several projects that reflect the significant growth in the area. Construction on two fire stations, one new and one replacing an end-of-life station, will begin the summer of 2020 with completion expected in the fall of 2021. The Horn Rapids Solar, Storage and Training facility is a collaboration project that will provide photovoltaic solar power coupled with state-of-the-art battery storage to residents.

Construction continues on a \$20 million apartment and retail complex, which includes a four-story, 104-unit apartment building and two retail buildings at the gateway into the City, with an expected completion in the fall of 2020. Home building remains strong throughout north and south Richland, and construction has rapidly increased in the Badger Mountain South area. Richland's Local Revitalization Financing program continues to pay off, resulting in robust construction and expansion in the Horn Rapids Industrial Park, including the completion of additional road projects, which has open acres of shovel-ready industrial land for development and job creation. Richland will continue to recruit primary sector job growth, primarily focused in energy, technology, and food and agricultural processing, which in turn further diversifies the local economy from reliance on federal spending.

City of Richland, Washington  
Comprehensive Annual Financial Report  
Statement of Net Position  
December 31, 2019

	Primary Government			Component Unit
	Governmental	Business-type		Richland Public
	Activities	Activities	Total	Facilities District
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 41,787,147	\$ 28,492,966	\$ 70,280,113	\$ 515,554
Deposits with third parties	512,025	11,575	523,600	-
Investments	26,349,677	8,009,300	34,358,977	-
Taxes	260,207	-	260,207	-
Customer accounts, net	1,096,049	11,099,226	12,195,275	39,760
Due from other governments	6,538,363	63,814	6,602,177	97,807
Notes and contracts	2,166,747	125,000	2,291,747	-
Prepaid items	204,117	303,672	507,789	26,731
Inventory	152,709	4,013,298	4,166,007	31,507
Special assessments	13,439	17,847	31,286	-
Internal balances	1,085,194	(1,085,194)	-	-
Total current assets	80,165,674	51,051,504	131,217,178	711,359
Noncurrent assets:				
Cash and cash equivalents	-	3,331,325	3,331,325	364,455
Restricted investments	-	35,362,981	35,362,981	-
Investment in joint ventures	2,200,539	-	2,200,539	-
Land held for resale	14,743,978	-	14,743,978	-
Special assessments	37,513	182,777	220,290	-
Net pension asset	10,714,102	1,873,649	12,587,751	-
Land	8,001,359	8,823,153	16,824,512	-
Depreciable assets (net)	57,801,317	31,324,489	89,125,806	6,399,238
Infrastructure (net)	80,221,712	241,981,471	322,203,183	2,099,996
Construction in progress	35,700,707	16,087,017	51,787,724	-
Total noncurrent assets	209,421,227	338,966,862	548,388,089	8,863,689
Total assets	289,586,901	390,018,366	679,605,267	9,575,048
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflow - amount on debt refunding	311,139	755,045	1,066,184	44,915
Deferred outflow - pension	2,565,308	1,555,526	4,120,834	-
Deferred outflow - OPEB	1,040,154	322,767	1,362,921	-
Total deferred outflows of resources	3,916,601	2,633,338	6,549,939	44,915
Total assets and deferred outflows of resources	293,503,502	392,651,704	686,155,206	9,619,963

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

City of Richland, Washington  
Comprehensive Annual Financial Report  
Statement of Net Position  
December 31, 2019

	Primary Government			Component Unit
	Governmental	Business-type		Richland Public
	Activities	Activities	Total	Facilities District
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	4,418,987	9,378,600	13,797,587	31,946
Payable to other governments	157,069	100,901	257,970	-
Deposits payable	7,011	617,800	624,811	7,661
Claims and judgments	2,757,460	-	2,757,460	-
Leases payable	-	229,218	229,218	-
Compensated absences	1,763,594	1,039,770	2,803,364	8,925
Notes and contracts payable	92,470	1,376,536	1,469,006	-
General obligation bonds payable	2,355,000	195,000	2,550,000	330,000
Revenue bonds payable	-	6,450,000	6,450,000	-
Total OPEB liability	1,884,952	212,397	2,097,349	-
Total current liabilities	13,436,543	19,600,222	33,036,765	378,532
Noncurrent liabilities:				
Leases payable	-	457,510	457,510	-
Compensated absences	1,763,594	1,039,770	2,803,364	-
Notes and contracts payable	526,024	4,636,482	5,162,506	-
General obligation bonds payable	38,308,658	5,250,930	43,559,588	3,943,736
Revenue bonds payable	-	99,839,988	99,839,988	-
Unearned revenue	680,915	1,256,753	1,937,668	61,697
Net pension liability	10,665,944	5,213,157	15,879,101	-
Total OPEB liability	29,299,839	2,167,032	31,466,871	-
Landfill closure liability	-	6,725,634	6,725,634	-
Total noncurrent liabilities	81,244,974	126,587,256	207,832,230	4,005,433
Total liabilities	94,681,517	146,187,478	240,868,995	4,383,965
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow - transfer of service concession arrangement capital assets	2,020,100	-	2,020,100	-
Deferred inflow - pension	6,415,340	3,649,342	10,064,682	-
Deferred inflow - OPEB	640,795	198,843	839,638	-
Deferred inflow - amount on debt refunding	7,437	5,919	13,356	-
Total deferred inflows of resources	9,083,672	3,854,104	12,937,776	-
Total liabilities and deferred inflows of resources	103,765,189	150,041,582	253,806,771	4,383,965
<b>NET POSITION</b>				
Net investment in capital assets	137,734,724	193,750,024	331,484,748	4,270,413
Restricted for:				
Capital improvements	10,753,866	10,111,573	20,865,439	-
Debt service	336,570	8,989,082	9,325,652	645,650
Economic environment	21,164,277	-	21,164,277	-
Other purposes	57,540	-	57,540	-
Pensions	-	1,516,988	1,516,988	-
Public safety	1,843,411	-	1,843,411	-
Unrestricted	17,847,924	28,242,454	46,090,378	319,935
Total net position	\$ 189,738,312	\$ 242,610,121	\$ 432,348,433	\$ 5,235,998

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

City of Richland, Washington  
Comprehensive Annual Financial Report  
Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				Component Unit Richland Public Facilities District
	Expenses	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities	
<b>Primary government:</b>					
Governmental activities:					
Judicial	\$ 599,116	\$ 497,053	\$ -	\$ (102,063)	\$ -
General government	15,831,173	8,544,831	12,328	(7,274,014)	(102,063)
Public safety	29,194,924	5,859,765	709,379	(19,425,780)	(7,274,014)
Transportation	7,135,385	1,278,042	15,394,940	9,537,597	(19,425,780)
Health and human services	15,748	25,512	-	462,369	9,537,597
Economic environment	5,109,855	4,448,353	425,156	(236,346)	462,369
Culture and recreation	8,613,042	1,290,908	38,158	(7,278,618)	(236,346)
Interest on long-term debt	1,427,307	-	-	(1,427,307)	(7,278,618)
Total governmental activities	67,926,590	21,944,464	18,633,098	(25,744,162)	(1,427,307)
Business-type activities:					
Electric Utility Fund	72,855,019	76,239,732	-	4,534,479	4,534,479
Water Utility Fund	12,333,021	15,652,694	2,854,020	6,174,693	6,174,693
Wastewater Utility Fund	8,596,204	9,778,836	-	3,421,199	3,421,199
Solid Waste Utility Fund	8,952,933	12,044,824	-	3,091,891	3,091,891
Stormwater Utility Fund	1,419,133	2,037,682	-	1,403,565	1,403,565
Golf Course Fund	1,815,612	1,836,209	-	20,597	20,597
Medical Services Fund	4,571,069	4,878,409	-	390,917	390,917
Broadband Fund	270,228	192,430	-	(77,798)	(77,798)
Total business-type activities	110,812,219	122,660,816	7,027,369	18,959,543	18,959,543
Total primary government	178,738,769	144,605,280	25,660,467	(6,784,619)	(6,784,619)
<b>Component units:</b>					
Richland Public Facilities District	\$ 1,490,662	\$ 408,647	\$ -	\$ -	\$ (738,270)
Total component units	1,490,662	408,647	-	-	(738,270)
General revenues:					
Property taxes					
Sales taxes					
Utility occupation taxes					
Real estate excise tax					
Motor fuel & multimodal transportation tax					
Hotel/motel lodging tax					
Other taxes					
Investment earnings					
Gain on disposition of capital assets					
Gain on disposition of land held for sale					
Developer infrastructure contributions					
Transfers					
Total general revenues, special items, and transfers					
Change in net position					
Net position - beginning					
Prior period adjustment					
Net position - ending					

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

City of Richland, Washington  
Comprehensive Annual Financial Report  
Balance Sheet  
Governmental Funds  
December 31, 2019

	General Fund	Streets Capital Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,344,774	\$ 2,226,162	\$ 19,840,873	\$ 33,411,809
Deposits with third parties	19,425	-	28,600	48,025
Investments	16,532,482	-	5,373,199	21,905,681
Taxes receivable	232,928	-	27,279	260,207
Customer accounts (net)	349,968	-	707,427	1,057,395
Interfund loans	5,527	-	-	5,527
Due from other governments	4,046,135	1,038,615	1,453,612	6,538,362
Assessments	-	-	50,952	50,952
Notes and contracts	-	-	2,166,747	2,166,747
Prepaid items	13,708	-	-	13,708
Inventory	-	-	53,446	53,446
Total assets	<u>\$ 32,544,947</u>	<u>\$ 3,264,777</u>	<u>\$ 29,702,135</u>	<u>\$ 65,511,859</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 2,007,478	\$ 571,386	\$ 1,427,716	\$ 4,006,580
Payable to other governments	83,087	-	73,982	157,069
Interfund loans payable	-	1,393,804	5,527	1,399,331
Deposits payable	1,011	-	6,000	7,011
Unearned revenue-other	-	-	680,915	680,915
Total liabilities	<u>2,091,576</u>	<u>1,965,190</u>	<u>2,194,140</u>	<u>6,250,906</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	154,459	-	18,015	172,474
Unavailable revenue-unbilled LID assessments	-	-	37,513	37,513
Total deferred inflow of resources	<u>154,459</u>	<u>-</u>	<u>55,528</u>	<u>209,987</u>
Total liabilities and deferred inflows of resources	<u>2,246,035</u>	<u>1,965,190</u>	<u>2,249,668</u>	<u>6,460,893</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable				
Contractually maintained deposits	-	-	2,000	2,000
Inventory	-	-	53,446	53,446
Prepaid items	13,708	-	-	13,708
Restricted				
Capital Improvements	30,845	-	10,723,021	10,753,866
Debt service	-	-	336,570	336,570
Economic environment	988,230	-	5,432,069	6,420,299
Other Purposes	57,540	-	-	57,540
Public safety	26,975	-	1,816,436	1,843,411
Transportation	-	-	174,555	174,555
Committed				
Capital improvements	452,951	785,070	2,344,284	3,582,305
Debt service	-	-	808,568	808,568
Economic environment	50,482	-	4,702,788	4,753,270
Public Safety	90,306	-	-	90,306
Assigned				
Debt service	-	-	342,800	342,800
Public Safety	75,865	-	-	75,865
Transportation	-	514,518	716,055	1,230,573
Unassigned	28,512,010	-	(124)	28,511,886
Total fund balances (deficits)	<u>\$ 30,298,912</u>	<u>\$ 1,299,588</u>	<u>\$ 27,452,468</u>	<u>\$ 59,050,968</u>
Total liabilities and fund balances (deficits)	<u>\$ 32,544,947</u>	<u>\$ 3,264,778</u>	<u>\$ 29,702,136</u>	<u>\$ 65,511,861</u>

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



**City of Richland, Washington**  
**Comprehensive Annual Financial Report**  
**Reconciliation of Balance Sheet**  
**To the Statement of Net Position**  
**December 31, 2019**

Fund balances of governmental funds	\$59,050,968
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements. They are reported in the government-wide statements, net of accumulated depreciation:	181,725,095	
		181,725,095

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

Investment in joint venture	2,200,539	
Land held for sale	14,743,978	
Net pension asset	10,714,102	
Notes, contracts and taxes receivable, offset by deferred inflows of resources	209,987	27,868,606

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

Net position	10,532,215	
Internal payable representing charges in excess of cost to business-type activities: prior years	1,872,097	
Internal payable representing charges in excess of cost to business-type activities: current year	646,901	13,051,213

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

Deferred outflow of resources related to pensions	2,565,308	
Deferred outflow of resources related to OPEB	1,040,154	
Deferred outflow of resources related to debt refunding	311,139	
Deferred inflow of resources related to service concession arrangement (ORV Park assets)	(2,020,100)	
Deferred inflow of resources related to pensions	(6,415,340)	
Deferred inflow of resources related to OPEB	(640,795)	
Deferred inflow of resources related to debt refunding	(7,437)	(5,167,071)

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

General obligation bonds	(37,575,000)	
Net premium/discount	(3,088,658)	
Other general government debt	(618,494)	
Net pension liability	(10,665,944)	
Total OPEB liability	(31,184,791)	
Compensated absences	(3,527,188)	
Accrued interest payable	(130,424)	(86,790,499)

Net position of governmental activities	\$189,738,312
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The notes to financial statements are an integral part of this statement.

City of Richland, Washington  
Comprehensive Annual Financial Report  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2019

	General Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 46,391,807	\$ -	\$ 12,711,098	\$ 59,102,905
Licenses and permits	3,072,778	-	-	3,072,778
Intergovernmental	1,462,309	14,829,235	2,058,880	18,350,424
Charges for goods and services	7,880,337	788,380	6,876,803	15,545,520
Fines and forfeits	531,612	-	-	531,612
Investment earnings	901,646	57,672	435,893	1,395,211
Rents and leases	319,109	-	1,384,191	1,703,300
Miscellaneous revenue	440,715	215,705	3,875,839	4,532,259
Total revenues	<u>61,000,313</u>	<u>15,890,992</u>	<u>27,342,704</u>	<u>104,234,009</u>
<b>EXPENDITURES</b>				
Current:				
Judicial	599,116	-	-	599,116
General government	16,597,521	-	383	16,597,904
Public safety	23,492,449	-	7,326,569	30,819,018
Transportation	-	1,530,477	3,127,017	4,657,494
Health and human services	15,748	-	-	15,748
Economic environment	2,431,226	-	2,748,373	5,179,599
Culture and recreation	7,686,971	-	46,085	7,733,056
Debt service:				
Administrative charges	-	-	1,280	1,280
Interest	-	42,654	1,612,794	1,655,448
Principal retirement	-	-	2,566,950	2,566,950
Capital outlay:				
General government	549,887	-	4,587,314	5,137,201
Public safety	277,747	-	124	277,871
Transportation	-	18,441,032	-	18,441,032
Economic environment	12,400	-	98,718	111,118
Culture and recreation	465,285	-	450,160	915,445
Total expenditures	<u>52,128,350</u>	<u>20,014,163</u>	<u>22,565,767</u>	<u>94,708,280</u>
Excess (deficiency) of revenues over expenditures	<u>8,871,963</u>	<u>(4,123,171)</u>	<u>4,776,937</u>	<u>9,525,729</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	285,882	4,040,223	4,418,306	8,744,411
Transfers out	(4,529,961)	-	(5,320,108)	(9,850,069)
Disposition of land held for sale	-	-	4,313,670	4,313,670
Disposition of capital assets	-	-	715,549	715,549
Total other financing sources (uses)	<u>(4,244,079)</u>	<u>4,040,223</u>	<u>4,127,417</u>	<u>3,923,561</u>
Net change in fund balances	4,627,884	(82,948)	8,904,354	13,449,290
Fund balances - beginning	25,671,028	1,382,535	18,548,113	45,601,676
Fund balances - ending	<u>\$ 30,298,912</u>	<u>\$ 1,299,587</u>	<u>\$ 27,452,467</u>	<u>\$ 59,050,966</u>

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

**City of Richland, Washington**  
**Comprehensive Annual Financial Report**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2019**

Net change in fund balances - total governmental funds	\$13,449,292
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Amounts reported for governmental activities in the statement of net position are different because:

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

Principal repayment	2,566,950	
Amortization of premiums/discounts & deferred amounts on refunding	221,904	
		2,788,854

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

Change in earned revenue reported as deferred inflows in the fund statements	(170,747)	
Change in the City's investment in joint ventures	(13,680)	
Change in the City's investment in land held for sale	(936,070)	
Change in the City's net pension liability and related deferred inflows/outflows	2,160,716	
Change in accrued interest payable	7,517	
Change in net OPEB obligation	1,323,168	
Change in compensated absences	136,585	2,507,489

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

Change in net position	1,051,316	
Internal payable representing charges in excess of cost to governmental activities-current year	646,901	1,698,217

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

Capital outlays	24,882,667	
Depreciation	(5,196,701)	
Disposal of capital assets	(260,637)	
Donated capital assets received	3,832,977	23,258,306

Change in net position of governmental activities	\$43,702,158
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The notes to financial statements are an integral part of this statement.

City of Richland, Washington  
Comprehensive Annual Financial Report  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 42,401,439	\$ 42,436,007	\$ 46,391,807	\$ 3,955,800
Licenses and permits	2,431,500	2,431,500	3,072,778	641,278
Intergovernmental	1,357,918	1,398,809	1,462,309	63,500
Charges for goods and services	8,997,962	8,997,962	7,880,337	(1,117,625)
Fines and forfeits	538,050	538,050	531,612	(6,438)
Investment earnings	293,650	293,650	901,646	607,996
Rents and leases	256,481	286,181	319,109	32,928
Miscellaneous revenue	136,675	136,675	440,715	304,040
Total revenues	56,413,675	56,518,834	61,000,313	4,481,479
EXPENDITURES				
Current:				
Judicial	806,511	806,511	599,116	207,395
General government	16,161,473	19,918,212	16,597,521	3,320,691
Public safety	23,142,356	23,306,065	23,492,449	(186,384)
Health and human services	14,800	14,800	15,748	(948)
Economic environment	2,736,700	2,785,746	2,431,226	354,520
Culture and recreation	8,361,977	8,494,258	7,686,971	807,287
Total current	51,223,817	55,325,592	50,823,031	4,502,561
Debt service:				
Total debt service	-	-	-	-
Capital outlay:				
General government	-	269,940	549,887	(279,947)
Public safety	43,860	1,906,878	277,747	1,629,131
Economic environment	15,000	15,000	12,400	2,600
Culture and recreation	455,400	455,400	465,285	(9,885)
Total capital outlay	514,260	2,647,218	1,305,319	1,341,899
Total expenditures	51,738,077	57,972,810	52,128,350	5,844,460
Excess (deficiency) of revenues over expenditures	4,675,598	(1,453,976)	8,871,963	10,325,939
OTHER FINANCING SOURCES (USES)				
Transfers in	228,080	278,111	285,882	7,771
Transfers out	(2,907,627)	(4,532,904)	(4,529,961)	2,943
Total other financing sources (uses)	(2,679,547)	(4,254,793)	(4,244,079)	10,714
Net change in fund balances	1,996,051	(5,708,769)	4,627,884	10,336,653
Fund balances - beginning	25,671,028	25,671,028	25,671,028	-
Fund balances - ending	\$ 27,667,079	\$ 19,962,259	\$ 30,298,912	\$ 10,336,653

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

City of Richland, Washington  
Comprehensive Annual Financial Report  
Statement of Net Position  
Proprietary Funds  
December 31, 2019

	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 7,876,352	\$ 6,812,739	\$ 4,266,224	\$ 6,416,981	\$ 25,372,296	\$ 11,496,008
Deposits with third parties	1,900	5,775	2,650	1,050	11,375	464,200
Investments	565,560	-	2,688,281	2,232,391	5,486,232	6,967,063
Customer accounts (net)	7,370,645	859,675	745,464	2,103,442	11,079,226	58,655
Interfund loans	-	324,045	-	-	324,045	-
Special assessments (current)	-	9,243	8,604	-	17,847	-
Due from other funds	-	-	-	-	-	240,000
Due from other governments	-	-	-	63,814	63,814	-
Notes and contracts	-	-	-	125,000	125,000	-
Prepaid items	297,503	-	-	6,169	303,672	190,409
Inventory	3,802,092	136,862	1,098	71,766	4,011,818	100,744
Total current assets	19,914,052	8,148,339	7,712,321	11,020,613	46,795,325	19,517,079
Noncurrent assets:						
Cash and cash equivalents	1,957,619	988,786	260,429	124,491	3,331,325	-
Restricted investments	14,653,471	11,582,682	4,447,272	4,679,556	35,362,981	-
Net pension asset	-	-	-	1,873,649	1,873,649	-
Advances to other funds	-	1,089,209	-	-	1,089,209	-
Special assessments (noncurrent)	-	94,660	88,117	-	182,777	-
Land	837,428	5,604	-	7,980,120	8,823,152	-
Depreciable assets (net)	733,612	2,774,895	10,312,814	4,214,876	18,036,197	13,288,290
Infrastructure	106,027,811	74,498,810	47,486,897	13,967,952	241,981,470	-
Construction in progress	1,504,546	4,640,079	4,205,079	5,737,313	16,087,017	-
Total noncurrent assets	125,714,487	95,674,725	66,800,608	38,577,957	326,767,777	13,288,290
Total assets	145,628,539	103,823,064	74,512,929	49,598,570	373,563,102	32,805,369
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflow on debt refunding	244,393	190,551	266,442	53,659	755,045	-
Pension deferred outflows	554,221	169,162	153,508	397,677	1,274,568	280,958
OPEB deferred outflows	118,786	62,134	54,630	55,296	290,846	31,921
Total deferred outflows of resources	917,400	421,847	474,580	506,632	2,320,459	312,879
Total assets and deferred outflows of resources	\$ 146,545,939	\$ 104,244,911	\$ 74,987,509	\$ 50,105,202	\$ 375,883,561	\$ 33,118,248
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	6,533,641	489,219	702,509	1,370,876	9,096,245	564,336
Payable to other governments	-	21,405	-	41,952	63,357	37,544
Due to other funds	-	-	-	200,000	200,000	40,000
Interfund loans payable	-	-	-	3,890	3,890	-
Deposits payable	-	35,544	6,202	576,054	617,800	-
Leases payable-current	-	-	-	-	-	229,218
Compensated absences-current	331,579	129,201	67,378	267,633	795,791	243,980
Claims and judgments-current	-	-	-	-	-	2,757,459
General obligation bonds payable-current	-	-	-	195,000	195,000	-
Revenue bonds payable-current	3,045,000	1,903,770	1,476,230	25,000	6,450,000	-
Notes and contracts payable	-	1,216,491	74,161	85,884	1,376,536	-
Total OPEB liability	78,167	40,887	35,949	36,388	191,391	21,006
Total current liabilities	9,988,387	3,836,517	2,362,429	2,802,677	18,990,010	3,893,543
Noncurrent liabilities:						
Interfund loans payable (noncurrent)	-	-	-	15,560	15,560	-
Leases payable	-	-	-	-	-	457,510
Compensated absences	331,579	129,201	67,378	267,633	795,791	243,980
Notes and contracts payable	-	3,630,626	923,320	82,537	4,636,483	-
General obligation bonds payable	-	-	-	5,250,930	5,250,930	-
Revenue bonds payable	73,693,800	15,434,580	9,891,039	820,570	99,839,989	-
Unearned revenue	781,152	94,660	244,117	136,825	1,256,754	-
Net pension liability	2,036,735	690,613	586,583	783,853	4,097,784	1,115,373
Total OPEB liability	797,520	417,162	366,779	371,256	1,952,717	214,315
Landfill closure liability	-	-	-	6,725,634	6,725,634	-
Total noncurrent liabilities	77,640,786	20,396,842	12,079,216	14,454,798	124,571,642	2,031,178
Total liabilities	87,629,173	24,233,359	14,441,645	17,257,475	143,561,652	5,924,721
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension deferred inflows	1,335,108	343,809	364,761	1,007,780	3,051,458	597,884
OPEB deferred inflows	73,179	38,278	33,655	34,066	179,178	19,665
Deferred inflow on debt refunding	5,919	-	-	-	5,919	-
Total deferred inflows of resources	1,414,206	382,087	398,416	1,041,846	3,236,555	617,549
Total liabilities and deferred inflows of resources	89,043,379	24,615,446	14,840,061	18,299,321	146,798,207	6,542,270
<b>NET POSITION</b>						
Net investment in capital assets	42,175,866	64,788,588	49,482,485	24,701,522	181,148,461	12,601,562
Restricted for:						
Capital improvements	965,096	5,439,185	3,707,292	-	10,111,573	-
Debt Service	6,073,200	2,096,921	733,556	85,405	8,989,082	-
Pensions	-	-	-	1,516,988	1,516,988	-
Unrestricted	8,288,399	7,304,769	6,224,115	5,501,971	27,319,254	13,974,417
Total net position	\$ 57,502,561	\$ 79,629,463	\$ 60,147,448	\$ 31,805,886	229,085,358	\$ 26,575,979
Net position of internal service funds predominantly serving business-type activities					16,043,760	
Internal payable representing charges in excess of cost to governmental activities-prior years					(1,872,097)	
Internal payable representing charges in excess of cost to governmental activities-current year					(646,901)	
Net position of business-type activities					\$ 242,610,120	

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

City of Richland  
Comprehensive Annual Financial Report  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2019

	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>						
Electric	\$ 72,881,112	\$ -	\$ -	\$ -	\$ 72,881,112	\$ -
Water	-	15,477,197	-	-	15,477,197	-
Sewer	-	-	9,708,529	-	9,708,529	-
Solid waste	-	-	-	10,912,683	10,912,683	-
Stormwater	-	-	-	1,929,982	1,929,982	-
Golf course	-	-	-	1,833,380	1,833,380	-
Medical services	-	-	-	4,877,143	4,877,143	-
Broadband	-	-	-	192,430	192,430	-
Internal service funds	-	-	-	-	-	24,648,540
Other operating revenues	2,131,104	-	-	-	2,131,104	88,321
Total operating revenues	<u>75,012,216</u>	<u>15,477,197</u>	<u>9,708,529</u>	<u>19,745,618</u>	<u>119,943,560</u>	<u>24,736,861</u>
<b>OPERATING EXPENSES</b>						
Maintenance and operations	49,018,101	5,279,606	3,854,753	12,445,754	70,598,214	19,640,645
Administrative and general	5,448,635	1,316,547	1,159,399	1,640,425	9,565,006	1,571,652
Taxes expense	8,491,948	2,612,302	1,290,415	1,753,476	14,148,141	-
Depreciation	5,878,747	2,505,158	1,889,428	669,391	10,942,724	2,272,136
Total operating expenses	<u>68,837,431</u>	<u>11,713,613</u>	<u>8,193,995</u>	<u>16,509,046</u>	<u>105,254,085</u>	<u>23,484,433</u>
Operating income (loss)	<u>6,174,785</u>	<u>3,763,584</u>	<u>1,514,534</u>	<u>3,236,572</u>	<u>14,689,475</u>	<u>1,252,428</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment earnings	580,935	619,556	360,959	413,432	1,974,882	492,437
Disposition of capital assets	-	-	-	-	-	125,000
Miscellaneous nonoperating revenues/(expenses)	292,440	125,740	64,827	1,016,071	1,499,078	306,124
Interest expense	(2,870,471)	(653,091)	(428,778)	(266,639)	(4,218,979)	(42,102)
Debt costs	(243,218)	-	-	-	(243,218)	-
Total nonoperating revenues (expenses)	<u>(2,240,314)</u>	<u>92,205</u>	<u>(2,992)</u>	<u>1,162,864</u>	<u>(988,237)</u>	<u>881,459</u>
Income (loss) before contributions and transfers	3,934,471	3,855,789	1,511,542	4,399,436	13,701,238	2,133,887
Transfers in	-	-	-	660,000	660,000	847,335
Transfers out	(30,000)	(250,816)	(73,477)	(23,385)	(377,678)	-
Capital contributions	1,149,766	2,854,020	2,238,567	785,016	7,027,369	-
Change in net position	5,054,237	6,458,993	3,676,632	5,821,067	21,010,929	2,981,222
Total net position - beginning	52,288,715	73,170,471	56,470,816	26,015,769	207,945,771	23,594,757
Prior period adjustment	159,609	-	-	(30,950)	128,659	-
Total net position - ending	<u>\$ 57,502,561</u>	<u>\$ 79,629,464</u>	<u>\$ 60,147,448</u>	<u>\$ 31,805,886</u>	<u>\$ 229,085,359</u>	<u>\$ 26,575,979</u>
Net change in enterprise funds net position					\$ 21,010,929	
Change in net position of internal service funds predominantly serving business-type activities					1,929,906	
Internal payable representing charges in excess of cost to governmental activities-current year					(646,901)	
Total change in net position of business-type activities					<u>\$ 22,293,934</u>	

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

City of Richland, Washington  
Comprehensive Annual Financial Report  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2019

	Electric Utility Fund	Water Utility Fund	Sewer Utility Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 74,681,816	\$ 15,300,795	\$ 9,687,593	\$ 26,089,279	\$ 125,759,483	\$ 15,057,209
Receipts from interfund services provided	-	-	-	-	-	9,803,865
Payments to suppliers	(51,758,840)	(2,225,170)	(1,513,058)	(9,480,146)	(64,977,214)	(16,497,500)
Taxes paid	(6,194,894)	(2,612,302)	(1,290,415)	(3,258,773)	(13,356,384)	-
Payments to employees	(1,345,926)	(2,534,319)	(2,340,009)	(4,904,564)	(11,124,818)	(4,380,542)
Payments for interfund services used	(1,929,775)	(2,216,029)	(1,534,611)	(4,768,319)	(10,448,734)	(1,187,014)
Net cash provided (used) by operating activities	<u>13,452,381</u>	<u>5,712,975</u>	<u>3,009,500</u>	<u>3,677,477</u>	<u>25,852,333</u>	<u>2,796,018</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Reimbursements and recoveries	-	37,237	68,805	1,157,127	1,263,169	362,711
Grants and contributions	-	-	-	108,769	108,769	-
Proceeds from interfund loans	-	-	-	200,000	200,000	-
Interfund loan repayments made	-	-	-	(150,000)	(150,000)	(28,255)
Interfund loan repayments received	-	316,236	-	-	316,236	(19,908)
Transfers to other funds	(30,000)	(20,000)	(73,477)	(23,385)	(146,862)	-
Transfers from other funds	-	-	-	550,000	550,000	-
Net cash provided (used) by noncapital financing activities	<u>(30,000)</u>	<u>333,473</u>	<u>(4,672)</u>	<u>1,842,511</u>	<u>2,141,312</u>	<u>314,548</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>						
Principal paid on debt	(2,915,000)	(3,041,790)	(1,481,745)	(569,432)	(8,007,967)	350,420
Interest paid on debt	(3,035,757)	(814,175)	(524,808)	(270,170)	(4,644,910)	(42,102)
Transfers to other funds	-	(230,816)	-	-	(230,816)	-
Transfers from other funds	-	-	-	110,000	110,000	847,335
Proceeds from debt	9,515,143	-	-	-	9,515,143	-
Bond issuance costs	(243,218)	-	-	(220)	(243,438)	-
Interfund loan repayments made	-	-	-	(3,890)	(3,890)	-
Proceeds from sale of capital assets	53,021	95,196	-	-	148,217	428,733
Proceeds from capital grants and contributions	795,314	2,114,270	1,260,931	-	4,170,515	-
Payments related to acquisition, construction or improvements of capital assets	(10,158,813)	(2,888,706)	(1,104,933)	(6,394,626)	(20,547,078)	(4,306,130)
Net cash provided (used) by capital and related activities	<u>(5,989,310)</u>	<u>(4,766,021)</u>	<u>(1,850,555)</u>	<u>(7,128,338)</u>	<u>(19,734,224)</u>	<u>(2,721,744)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipt of interest	434,160	486,975	272,234	335,563	1,528,932	392,397
Investments sold	6,311,841	10,556,313	9,067,425	10,117,811	36,053,390	9,700,184
Investments purchased	(15,094,598)	(11,450,102)	(7,052,308)	(6,834,076)	(40,431,084)	(6,967,063)
Net cash provided (used) by investing activities	<u>(8,348,597)</u>	<u>(406,814)</u>	<u>2,287,351</u>	<u>3,619,298</u>	<u>(2,848,762)</u>	<u>3,125,518</u>
Net change in cash and cash equivalents	(915,526)	873,613	3,441,624	2,010,948	5,410,659	3,514,340
Cash and cash equivalents, January 1	<u>10,749,497</u>	<u>6,927,913</u>	<u>1,085,028</u>	<u>4,530,527</u>	<u>23,292,965</u>	<u>7,981,669</u>
Cash and cash equivalents, December 31	<u><u>9,833,971</u></u>	<u><u>7,801,526</u></u>	<u><u>4,526,652</u></u>	<u><u>6,541,475</u></u>	<u><u>28,703,624</u></u>	<u><u>11,496,009</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income/(loss)	6,174,785	3,763,584	1,514,535	3,236,566	14,689,470	1,252,427
Adjustments to reconcile operating income to net cash provided from operating activities:						
Depreciation expense	5,878,747	2,505,158	1,889,428	669,391	10,942,724	2,272,136
Accrued pension and OPEB expense	(584,965)	(176,345)	(113,098)	(641,201)	(1,515,609)	(237,883)
(Increase)/decrease in receivables	(1,285,280)	(177,227)	(20,859)	183,521	(1,299,845)	53,825
(Increase)/decrease in prepaid items	(297,503)	6,337	-	27,681	(263,485)	(100,042)
(Increase)/decrease in inventories	1,295,795	60,141	-	(8,092)	1,347,844	16,948
Increase/(decrease) in payables	1,655,976	(268,673)	(260,506)	202,391	1,329,188	(461,392)
Increase/(decrease) in unearned revenues	(5,034)	-	-	7,220	2,186	-
Other income and adjustments	619,860	-	-	-	619,860	-
Total adjustments	<u>7,277,596</u>	<u>1,949,391</u>	<u>1,494,965</u>	<u>440,911</u>	<u>11,162,863</u>	<u>1,543,592</u>
Net cash provided (used) by operating activities	<u><u>\$ 13,452,381</u></u>	<u><u>\$ 5,712,975</u></u>	<u><u>\$ 3,009,500</u></u>	<u><u>\$ 3,677,477</u></u>	<u><u>\$ 25,852,333</u></u>	<u><u>\$ 2,796,018</u></u>
<b>SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Contribution of capital assets	\$ 380,668	\$ 1,575,661	\$ 977,636	\$ 785,016	\$ 3,718,981	
Net non-cash capital activities	<u>\$ 380,668</u>	<u>\$ 1,575,661</u>	<u>\$ 977,636</u>	<u>\$ 785,016</u>	<u>\$ 3,718,981</u>	

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

**City of Richland, Washington**  
**Comprehensive Annual Financial Report**  
**Statement of Net Position**  
**Fiduciary Funds**  
**December 31, 2019**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,506,860
Deposits with third parties	
Investments	
Receivables:	
Customer accounts (net)	669,067
Due from other governments	316,352
Prepaid items	
Interfund loans	7,657
Capital assets:	
Land	14,593
Depreciable assets (net)	5,286,891
Construction in progress	242,490
	<hr/>
Total capital assets (net)	5,543,974
	<hr/>
Total assets	<u><u>\$ 10,043,910</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 59,054
Interfund loans payable	7,657
Notes and contracts payable	
Payable to other agencies	9,977,199
	<hr/>
Total liabilities	<u><u>\$ 10,043,910</u></u>

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



## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

You may obtain a copy of the annual financial report on the City's website at [www.ci.richland.wa.us](http://www.ci.richland.wa.us).

### **THE REPORTING ENTITY**

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

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

### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Fund financial statements consist of the following:

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

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

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

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

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

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

**3) Fiduciary Funds Financial Statements** – These statements report, in separate columns, the City’s agency funds (aggregated into the “Agency Funds” column).

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

## **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements (with the exception of Agency funds which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Because of the differences in measurement focus and basis of accounting between the governmental funds and government-wide financial statements, reconciliations are provided to facilitate the understanding of the City's financial statements. The governmental funds balance sheet includes a detailed reconciliation between fund balances of all governmental funds and governmental activities net position as reported in the government-wide statement of net position. The governmental fund statement of revenues, expenditures and changes in fund balances includes a detailed reconciliation between the net changes in fund balances for all governmental funds and the changes in governmental activities net position as reported in the government-wide statement of activities.

## **BUDGET INFORMATION**

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

financial picture. The City Manager submits the proposed budget to the City Council in October and it is available on November 1<sup>st</sup> for public review, with a public hearing taking place in November to provide a forum for public comment. First reading is given to the budget ordinance in November with final adoption occurring two weeks later. The formally adopted budget takes effect on January 1<sup>st</sup> of the ensuing year.

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

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

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

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

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

Budgets established for Debt Service, Capital Projects and Proprietary Funds are not reported in the CAFR.

## **ASSETS, LIABILITIES AND NET POSITION**

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

PURPOSE	ELECTRIC	WATER	SEWER	SOLID WASTE	STORM WATER	COLUMBIA PT GOLF COURSE	TOTAL
Capital Improvements	\$ 965,096	\$ 106,118					\$ 1,071,214
Landfill Closure/Post Closure				78,273			78,273
Debt Service	992,523	882,668	260,429		23,664	22,555	2,181,839
<b>Total Restricted</b>	<b>\$ 1,957,619</b>	<b>\$ 988,786</b>	<b>\$ 260,429</b>	<b>\$ 78,273</b>	<b>\$ 23,664</b>	<b>\$ 22,555</b>	<b>\$ 3,331,326</b>

The City's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). The City's total deposits as of December 31, 2019, are as follows:

Treasurer's Cash, Net	\$ 3,769,776
Held by Component Unit	\$ 25,438
Deposits In Transit	\$ 1,195,402
Petty Cash/Change Funds	\$ 6,050
Deposits with Fiscal Agent	\$ 6
Outstanding Checks	\$ (2,925,974)
Retainage Held by 3rd Party	\$ 764,364
Unreconciled Items	\$ (439,342)
<b>Total Deposits</b>	<b>\$ 2,395,720</b>

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

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

The City is required to certify their budget with the Clerk of the Board of County Commissioners on November 30th and certify the amount of their taxes levied for the upcoming year. The levy is based on the value of all taxable real property in the County at 100% of the fair market value of the property listed as of the prior May 31<sup>st</sup> as assessed by the County Assessor. The City's regular property tax levy rate is limited to \$3.60 per \$1,000 assessed value (\$3.375 plus \$0.225 for cities with firemen's pensions) by the Washington State Constitution and State law (RCW 84.55.010 and 84.55.0101). Special levies are approved by voters and not subject to the limitations. In 2019, the City's regular tax levy was \$2.4360 per \$1,000 on an assessed valuation of \$6,956,204,813 for a total regular levy of \$16,945,660 (after the appeals process). The City's regular levy

included \$0.034 for the Fire Pension Fund, which resulted in collections of \$288,000. In addition, there were special levies for debt service on general obligation debt issued for capital acquisitions or construction at \$.2851 per \$1,000 of assessed valuation of \$6,928,351,617 totaling \$1,975,607 (after the appeals process). The composite City of Richland levy was \$2.72129 per \$1,000 of assessed valuation for a total levy of \$18,921,267.

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

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

General Fund	\$	154,459
Other Governmental Funds		
Police Station Bond Fund		2,232
Richland Community Center Bond Fund		2,844
Library Remodel Bond Fund		12,939
TOTAL	\$	<u>172,474</u>

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

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

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estimated amount of the write-off based on the transports billed and reports this as a reduction to gross transport revenues.

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

**Assessments** - These consist of assessments receivable from local improvement districts. The receivable is established when the final assessment roll has been adopted. No allowance for uncollectible assessments is recorded because delinquent assessments are considered fully collectible. Assessments are deferred for one year from the date of the adoption of the final assessment roll. Long-term assessments in the Special Assessment Debt Service Fund are offset by deferred inflows, as they are considered unavailable to finance expenditures of the current period. As of December 31, 2019, the City had the following assessment balances:

	Current Assessments	Delinquent Assessments	Long Term Assessments	Deferred Inflows	Fund Total
Debt Service Fund Assessments Receivable (LIDs)	\$ 8,611	\$ 4,828	\$ 37,513	\$ (37,513)	\$ 13,439
Water Fund Assessments Receivable	974	8,269	94,660	-	\$ 103,903
Sewer Fund Assessments Receivable	906	7,698	88,117	-	\$ 96,721
<b>Total</b>	<b>\$ 10,491</b>	<b>\$ 20,795</b>	<b>\$ 220,290</b>	<b>\$ (37,513)</b>	<b>\$ 214,063</b>

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

Other Governmental Funds	
CDBG fund	\$901,155
HOME fund	<u>1,265,592</u>
<b>TOTAL</b>	<b><u>\$2,166,747</u></b>

The Columbia Point Golf Course also has a \$125,000 working capital advance from the City, which was established as part of a management contract to operate the City’s Golf Course.

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



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The following table shows a summary of the interfund activity for the year ended December 31, 2019:

OWED TO...	OWED BY...				
	Streets Construction	Other Governmental	Other Enterprise	Internal Service	TOTAL
General Fund	\$ -	\$ 5,527	\$ -	\$ -	\$ 5,527
Water Fund	1,393,804	-	19,450	-	1,413,254
Internal Service	-	-	200,000	40,000	240,000
<b>Total</b>	<b>\$ 1,393,804</b>	<b>\$ 5,527</b>	<b>\$ 219,450</b>	<b>\$ 40,000</b>	<b>\$ 1,658,781</b>

Purpose: To provide long term financing in lieu of the issuance of bonds.

OWED TO...		OWED BY...		
Reported In	Fund	Streets Construction Fund	Other Governmental	TOTAL
			Debt Service	
			Special Assessment Bond Fund	
General Fund		\$ -	\$ 5,527	\$ 5,527
Water Fund		1,393,804	-	1,393,804
<b>Total</b>		<b>\$ 1,393,804</b>	<b>\$ 5,527</b>	<b>\$ 1,399,331</b>

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

OWED TO...	OWED BY...	
	Other Enterprise	TOTAL
Reported In	Columbia Point Golf Course	
Water Fund	\$ 19,450	\$ 19,450
<b>Total</b>	<b>\$ 19,450</b>	<b>\$ 19,450</b>

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

OWED TO...		OWED BY ...		
Reported In	Fund	Other Enterprise	Internal Service	TOTAL
		Columbia Point Golf Course	Central Stores	
Internal Service	Equipment Replacement	\$ 200,000	\$ 40,000	\$ 240,000
<b>Total</b>		<b>\$ 200,000</b>	<b>\$ 40,000</b>	<b>\$ 240,000</b>



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

**Investment in Joint Ventures** - These consist of the following:

**Benton County Emergency Services (BCES)** - BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. A second amended and restated interlocal agreement was made and entered into by and between the following entities: Benton County, Franklin County, the Cities of Kennewick, Richland, West Richland, Prosser, Benton City, and Pasco, Benton County Fire Protection Districts and the Public Utility District #1 of Benton County. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick, Pasco and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City, a Benton County Commissioner, a Franklin County Commissioner and a single representative collectively representing Benton 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 \$485,080. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

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

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

The City of Richland's equity interest in SECOMM as of December 31, 2019 was \$1,045,500 which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

**800 MHz** - 800 MHz Radio Project fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. The Cities of Kennewick, Richland and Benton County each owns a share of 800 MHz's net assets. User agencies are Benton County's Sheriff Office, Jail, Juvenile Justice Center, Public Utility District, and Animal Control; the Cities of Richland, Kennewick, Prosser, Pasco and West Richland, as well as PNNL, DEA, and the Areva Corporation. Radios are charged an annual fee per radio to generate the funds to maintain and upgrade the system. The City of Richland's equity interest in 800 MHz as of December 31, 2019 was \$808,020 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

**Microwave** - The microwave system is accounted for separately within its own fund and the user groups are charged a portion of costs based on number of circuits utilized. The Cities of Kennewick, Richland and Benton County each owns an equal share of Microwave's net assets. The City of Richland's equity interest in Microwave as of December 31, 2019 was \$46,178 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

**BCEM** - BCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions of the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations. The City of Richland's equity interest in BCEM as of December 31, 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, 505 Swift Blvd, Richland, Washington.

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

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Interlocal Agreement, the net position will be shared based upon participant contribution. Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, Kennewick provides all necessary support services for the operation of BI-PIN such as accounting, legal services, risk management and information systems. The total amount paid by BI-PIN in 2019 for these transactions was \$119,000.

The City of Richland's equity interest in BI-PIN was \$262,130 on December 31, 2019, which is reported as an investment in joint ventures in the Government-wide Statement of Net Position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The City does not anticipate any income distributions from BI-PIN since charges are assessed only to recover anticipated expenses. Complete separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 W. 6th Ave., Kennewick, Washington, 99336.

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

The City of Richland's equity interest in Metro was \$9,862 on June 30, 2019, which is reported as an investment in joint ventures in the Government-wide Statement of Net Position. The change in equity is reflected in the Government-wide Statement of Activities under Public Safety. The City does not anticipate any income distributions from Metro.

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

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

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

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

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

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

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

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

### **Liabilities**

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

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

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

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

**Unearned Revenue** – These include amounts recorded as receivables or other assets for which the revenue recognition criteria has not yet been met. They consist primarily of unredeemed gift certificates at Columbia Point Golf Course.

**Net Pension Liability** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all State sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City's financial statements recognize a proportionate share of Net Pension Liability (NPL), deferred inflows and outflows and pension expense for its four State sponsored plans. The City's financial statements also include two local government plans that are reported pursuant to GASB 73 requirements. Allocations to

proprietary funds are reported on Proprietary Fund Statements and allocations to governmental funds are reported as long term liabilities on the Government Wide Statement of Net Position. This is discussed in more detail in Note 10.

**Total Other Post-Employment Benefits (OPEB) Liability** - The City funds its post-employment healthcare program on a pay-as-you-go basis. The City implemented GASB Statement No. 75 in 2018. The City's Total OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2019. OPEB is discussed in detail in Note 9.

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

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

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

### **Net Position, Equity and Fund Balances**

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

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

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

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

**Minimum Fund Balance** – The City’s financial policies, as outlined in the 2019 annual budget document, state that minimum reserves should be maintained in the General Fund equal to approximately 16.7% of projected annual operating expenditures. Any proposed reduction of this reserve level requires approval by a majority of the City Council.

**Deficit Fund Equity** – Three funds had deficit balances in fund equity at December 31, 2019, as follows:

- The Public Works Administration and Engineering Fund is reporting a deficit net position at December 31, 2019, in the amount of \$1,147,444. The Net Pension Liability reported in accordance with GASB 68 and Total OPEB Liability reported in accordance with GASB 75 results in a deficit fund balance at year-end.
- The Equipment Maintenance Fund is reporting a deficit net position at December 31, 2019, in the amount of \$456,119. The Net Pension Liability reported in accordance with GASB 68 results in a deficit fund balance at year-end.
- A minor amount was accrued in the Fire Station #73 Construction Fund near year end for project bid publication, for which no fund budget or resources were available, resulting in a deficit fund balance of \$124.

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

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**Prior Period Adjustments** – The following table itemizes all the prior period adjustments made in 2019, along with the purposes for the adjustments:

		Purpose for Adjustment	Increase / (Decrease) due to adjustment		
			Assets	Liabilities	Net Position
Governmental Funds:					
Total Governmental Funds			-	-	-
Enterprise Funds:					
Electric Utility	1	159,609	-		159,609
Golf Course	2	(30,950)	-		(30,950)
Total Enterprise Funds			128,659	-	128,659
Total prior period adjustments - all funds			128,659	-	128,659
Government-wide Financial Statements					
Total Governmental Activities		3	392,979	-	392,979
Total prior period adjustments - all funds and govt activities			521,638	-	521,638

Purpose for adjustments:

1. During 2019, the City implemented a new ERP solution. One facet of the implementation was the utilization of its fixed asset module with an end goal of depreciating assets systematically instead of by spreadsheet. For the Electric utility, asset classes were being depreciated based on the value of the asset category and not specifically by each asset class. During the reconciliation and implementation of the module, it was determined that 4 asset classes within the general plant asset category had been over depreciated by \$159,609.
2. In 2018, a capital project was started to design a remodel of the café and clubhouse at the Columbia Point Golf Course. When the design was presented to the City Council, the scope and estimated budget of the project were determined to be too ambitious. The project has been shelved for an unspecified period of time. As a result, the design costs have been removed from work in process and expensed.
3. Property sold in 2019 in the Central Business District was acquired for redevelopment purposes at a cost of \$392,979 in 2010 but was not included the City's inventory of property held for sale that was created in 2016.

## NOTE 2. INVESTMENTS

### Investments Measured at Amortized Cost

As of December 31, 2019, the City held the following investments at amortized cost:

Type of Investment	Maturities	City's own	
		investments	Total
State Investment Pool (LGIP)	Average 30 days	76,116,062	76,116,062

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification and liquidity requirements set forth by the Governmental Accounting standards Board (GASB) for external investment pools



that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with generally accepted accounting principles (GAAP). The LGIP was formed under and is regulated by the RCW. As mandated by State law, the State Treasurer periodically reports to the Governor, the State Auditor and the Joint Legislative Audit and Review Committee. The State Auditor's Office is responsible for monitoring the pool's compliance with State statutes and policy. The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. Participants must inform Office of State Treasurer (OST) of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m. at the sole discretion of OST. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

#### Investments Measured at Fair Value

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

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

**Interest Rate Risk:** In order to manage its exposure to fair value losses arising from increasing interest rates, the City portfolio's weighted average maturity was kept as low as possible while taking advantage of opportunities in short and medium term securities.

**Credit Risk:** The following represents the allocation and credit rating of City investments by type of security as of December 31, 2019:

Federal Home Loan Mortgage Corporation	AAA	19%
Federal National Mortgage Association	AAA	9%
Federal Home Loan Bank	AAA	12%
Federal Farm Credit Bank	AAA	1%
Municipal Bonds	A- to AAA	6%
Local Governmental Investment Pool	Unrated	52%
Pension Mutual Funds	Unrated	1%



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

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

At December 31, 2019 the City had the following investments at fair value:

<b>Investments by Fair Value Level</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Weighted Average Maturities</b>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
U.S. Government Securities	\$ 22,022,592		\$ 22,022,592	1.04
Municipal Bonds	\$ 3,397,334		3,397,334	0.27
Bond Mutual Funds	729,751	729,751		N/A
Nonnegotiable CD	200,000		200,000	1.00
Subtotal Governmental Activities	26,349,677	729,751	25,619,926	
<b><u>BUSINESS TYPE ACTIVITIES</u></b>				
U.S. Government Securities	37,659,227		37,659,227	1.04
Municipal Bonds	5,663,059		5,663,059	0.27
Nonnegotiable CD	49,995		49,995	1.00
Subtotal Business Type Activities	43,372,281	-	43,372,281	
<b>Total Investments by Fair Value Level</b>	<b>\$ 69,721,958</b>	<b>\$ 729,751</b>	<b>\$ 68,992,207</b>	

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### NOTE 3. CAPITAL ASSETS

**Governmental Activities** - A summary of governmental capital assets for the year ended December 31, 2019 is presented in the following table:

Governmental activities	Balance			Transfers/ Reclassifications	Balance December 31, 2019
	January 1, 2019	Increases	Decreases		
<b><u>Capital Assets, not being depreciated:</u></b>					
Land	\$ 7,740,791	\$ 260,568	\$ -	\$ -	\$ 8,001,359
Construction in progress	48,925,545	15,439,149	(28,663,987)		35,700,707
Total capital assets, not being depreciated	56,666,336	15,699,717	(28,663,987)	-	43,702,066
<b><u>Capital Assets, being depreciated:</u></b>					
Buildings and improvements	70,528,611	20,627,173	(1,490,665)		89,665,119
Machinery and equipment	8,871,826	90,052			8,961,878
Infrastructure	219,583,857	20,604,959		(84,866)	240,103,950
Intangibles	2,259,730	494,832			2,754,562
Total capital assets, being depreciated	301,244,024	41,817,016	(1,490,665)	(84,866)	341,485,509
Less accumulated depreciation for:					
Buildings and improvements	(35,450,431)	(1,952,433)	1,314,894	-	(36,087,970)
Machinery and equipment	(6,506,743)	(444,010)		-	(6,950,753)
Infrastructure	(157,169,576)	(2,712,662)		-	(159,882,238)
Intangibles	(453,923)	(87,596)		-	(541,519)
Total accumulated depreciation	(199,580,673)	(5,196,701)	1,314,894	-	(203,462,480)
Total capital assets being depreciated, net	101,663,351	36,620,315	(175,771)	(84,866)	138,023,029
<b>Governmental activities capital assets, net</b>	<b>\$ 158,329,687</b>	<b>\$ 52,320,032</b>	<b>\$ (28,839,758)</b>	<b>\$ (84,866)</b>	<b>\$ 181,725,095</b>

Depreciation expense was charged as follows:

<b><u>FUNCTION</u></b>	<b><u>TOTAL</u></b>
General Government	\$ 509,111
Public Safety	358,418
Transportation	2,634,209
Economic Environment	178,570
Culture & Recreation	1,516,393
<b>TOTAL DEPRECIATION EXPENSE</b>	<b>\$ 5,196,701</b>

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Construction commitments existing as of December 31, 2019 in the City's governmental-type activities:

Fund	Project	Spent as of December 31, 2019	Remaining Committed
Streets Capital Const	Duportail Bridge	25,983,616	3,974,932
Streets Capital Const	Saint St./Hagen Road Overlay	361,968	41,098
Streets Capital Const	Steptoe/Tapteal Drive Intersection	6,338	66,298
Streets Capital Const	Battelle Blvd.	1,089,538	34,346
Streets Capital Const	Duportail Street Corridor Signal Mods	-	46,879
Streets Capital Const	George Washington Way Resurface & Streetscape	4,224,799	1,643,951
Parks Construction	Riverfront Trail Lighting	32,494	24,114
Parks Construction	Wayfinding and Entryway Improvements	72,539	43,421
Parks Construction	Columbia Point Marina Park Lift Station	3,721	62,721
Parks Construction	Badger Mountain Park Improvements	9,520	38,080
General Govt Construction	Swift Corridor Improvements (City Hall)	11,685,612	317,216

**Business-Type Activities** - A summary of business-type capital assets for the year ended December 31, 2019 is presented in the following table:

Business-type activities	Balance			Transfers/	Balance
	January 1, 2019	Increases	Decreases	Reclassifications	December 31, 2019
<u>Capital Assets, not being depreciated:</u>					
Land	\$ 8,822,299	\$ 854	\$ -	\$ -	\$ 8,823,153
Construction in progress	10,228,487	12,869,175	(7,010,645)	-	16,087,017
Total capital assets, not being depreciated	19,050,786	12,870,029	(7,010,645)	-	24,910,170
<u>Capital Assets, being depreciated:</u>					
Buildings and improvements	47,001,839	314,290	-	-	47,316,129
Machinery and equipment	38,612,892	4,327,169	(1,777,011)	-	41,163,050
Infrastructure	387,433,161	18,486,110	-	-	405,919,271
Total capital assets, being depreciated	473,047,892	23,127,569	(1,777,011)	-	494,398,450
Less accumulated depreciation for:					
Buildings and improvements	(30,818,798)	(732,311)	-	-	(31,551,109)
Machinery and equipment	(24,714,965)	(2,600,701)	1,712,085	-	(25,603,581)
Infrastructure	(154,215,556)	(9,722,244)	-	-	(163,937,800)
Total accumulated depreciation	(209,749,319)	(13,055,256)	1,712,085	-	(221,092,490)
Total capital assets being depreciated, net	263,298,573	10,072,313	(64,926)	-	273,305,960
Business-type activities capital assets, net	\$ 282,349,359	\$ 22,942,342	\$ (7,075,571)	\$ -	\$ 298,216,130

The following is a list of construction commitments existing as of the year ended December 31, 2019 in the City's business-type activities:

Fund	Project	Spent as of December 31, 2019	Remaining Committed
Water	Distribution System Repair/Replacement	287,311	144,818
Water	Yakima River Crossing Pipeline Replacement	1,738,200	280,485
Water	Columbia River Intake Screen Upgrade	126,059	131,094
Sewer	Collection System Renew/Replacement	1,366,410	167,997
Sewer	Influent Upgrades	97,224	228,324
Sewer	Waste Water Treatment Plant Renew/Replacement	48,602	90,826
Solid Waste	Disposal Capacity Improvements	4,664,085	391,541
Solid Waste	Compost Processing Improvements	280,862	3,134
Stormwater	Stormwater Rehab/Replacement	98,800	107,361
Stormwater	Water Quality Retrofit Program	427,888	104,367
Stormwater	Col Park Trail Conveyance Treatment Improvements	18,345	6,000

#### NOTE 4. LONG-TERM DEBT AND LIABILITIES

##### Governmental Activities

Long-term liabilities of the City's governmental activities consist of 1) general obligation bonds, 2) compensated absences, 3) notes and loans payable to state agencies, 4) Other Post-Employment Benefits (OPEB) Liability, and 5) Net Pension Liability. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long Term Governmental Liabilities and Debt which includes changes to long-term liability activities for 2019.

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

**Notes and Loans Payable to State Agencies** – The governmental funds have one outstanding Community Economic Revitalization Board (CERB) Loan, which was issued in 2005 for the extension of Battelle Boulevard. In 2015, the Washington State Department of Transportation (WSDOT) provided the Street Fund with a rail loan. Loans and notes are considered obligations of the general government and will be repaid with general governmental revenue sources.

**Total OPEB Liability** – As described in Note 9, the City administers a single-employer defined benefit post-employment healthcare plan, providing healthcare insurance for eligible retirees, their spouses, and their children. The City is also responsible for administering two OPEB Plans for Pre LEOFF police officers and firefighters. The Total OPEB Liability (TOL) at year end for each plan is included in the long-term debt table presented later in this section. GASB Statement 75 was implemented in 2018. A large part of GASB 75 was improving the approach to measuring the liability and requiring governments to report the liability on their financial statements. The TOL for all fund types as of December 31, 2019, is \$33,564,220. The TOL related to

governmental activities as of December 31, 2019, is \$31,184,791 and the TOL related to business type activities is \$2,379,429.

**Net Pension Liability** – GASB 68 became effective with the 2015 CAFR. As such the City is required to report a proportionate share of the State’s pension liability from the PERS 1, PERS 2 and 3, LEOFF 1 and LEOFF 2 State Pension Plans. LEOFF 1 and LEOFF 2 Plans have Net Pension Assets which are not reflected in this section, however PERS 1 and PERS 2 and 3 Plans have Net Pension Liabilities (NPL) that are reflected in the following table. The City’s share of the Net Pension Liability for PERS 1 and PERS 2/3 is \$10,582,369. This amount has been allocated to Governmental activities and Business type activities based on contributions of each fund. Governmental Funds are only reported on the Statement of Net Position however proprietary funds have recorded their share of the liability in the fund financial statements. In addition to the State pension plans, the City is responsible for administering two Pre LEOFF 1 Pension Plans for Pre LEOFF Police and Fire officers. The NPL for each of those plans is included in the long-term debt table presented later in this section. These two plans are reported in accordance to GASB 73, which became effective for the City with the 2018 CAFR.

**Refunded Bonds** – In prior years the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City’s financial statements. At December 31, 2019, no bonds outstanding are considered defeased.

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The following table provides a complete and comprehensive record of all long-term governmental liabilities as of December 31, 2019:

SCHEDULE OF LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES								
UNLIMITED TAX GENERAL OBLIGATION BONDS-VOTED								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2019	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/19	DUE WITHIN ONE YEAR
2015 Refunding UTGO Police Station/Community Center/Library Remodel	2.00%-5.00%	12/1/2026	14,385,000	11,075,000		1,515,000	3,560,000	1,075,000
<b>TOTAL UNLIMITED TAX GENERAL OBLIGATION BOND DEBT</b>							<b>3,560,000</b>	<b>1,075,000</b>
LIMITED TAX GENERAL OBLIGATION BONDS-NONVOTED, COUNCILMANIC								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2019	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/19	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1998 LTGO Refund, IT Facility)	2.00%- 4.30%	12/1/2033	3,170,000	1,340,000		60,000	1,280,000	60,000
2013A LTGO LRF to finance infrastructure in RAISE area	1.125%-4.00%	12/1/2037	10,050,000	3,060,000		350,000	8,710,000	355,000
2014 LTGO Fire Station #74 Construction	2.0%-4.0%	12/1/2034	3,355,000	2,855,000		135,000	2,720,000	140,000
2017 LTGO & Refunding & 2006 Refunding Bonds (City Hall Portion)	3.0%-5.0%	12/1/2045	13,255,000	13,255,000		-	13,255,000	235,000
2017 LTGO & Refunding & 2006 Refunding Bonds (2006 Refunding Portion)	2.0%-4.0%	12/1/2045	2,875,000	2,465,000		415,000	2,050,000	430,000
<b>TOTAL LIMITED TAX GENERAL OBLIGATION BOND DEBT</b>							<b>28,015,000</b>	<b>1,280,000</b>
Unamortized Premiums				3,364,485		275,827	3,088,658	
<b>TOTAL GENERAL OBLIGATION BOND DEBT NET OF UNAMORTIZED PREMIUMS</b>							<b>40,663,658</b>	<b>2,355,000</b>
OTHER GOVERNMENTAL LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2019	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/19	DUE WITHIN ONE YEAR
C2003-148- Community Economic Revitaliz. Bd Loan Battelle Blvd. Ext.	1.00%	1/1/2026	780,000	430,457		51,952	378,505	52,472
WSDOT Rail Loan for Streets	0.00%	7/1/2025	333,362	279,367		33,938	233,363	33,938
Compensated Absences		N/A	-	3,663,773	3,209,913	3,346,438	3,527,188	1,763,534
Net Pension Liab-Pre LEOFF 1 Plan Fire		N/A	-	1,664,161	32,377		1,696,538	-
Net Pension Liab-Pre LEOFF 1 Plan Police		N/A	-	3,129,835	470,359		3,600,194	-
Total OPEB Liability - LEOFF 1 Plan Fire		N/A	-	3,055,358		235,216	8,820,142	501,730
Total OPEB Liability - LEOFF 1 Plan Police		N/A	-	15,533,433		836,772	14,696,661	698,746
Net Pension Liability- State PERS/LEOFF Plans		N/A	-	7,098,824		1,729,613	5,369,211	-
Total OPEB Liability - City Post Emp Healthcare		N/A	-	8,158,369		430,381	7,667,988	684,476
<b>TOTAL OTHER GOVERNMENTAL LIABILITIES</b>							<b>45,996,416</b>	<b>3,741,016</b>
<b>TOTAL GOVERNMENTAL LIABILITIES</b>							<b>86,660,074</b>	<b>6,096,016</b>

The annual debt service requirements to maturity as of the fiscal year ended December 31, 2019 for governmental debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

SCHEDULE OF DEBT SERVICE FOR GOVERNMENTAL ACTIVITIES			
YEAR ENDING DECEMBER 31	PRINCIPAL	INTEREST	TOTAL
2020	\$ 2,447,470	\$ 1,527,241	\$ 3,974,711
2021	\$ 2,582,994	\$ 1,442,391	\$ 4,025,385
2022	\$ 2,483,524	\$ 1,349,387	\$ 3,832,911
2023	\$ 2,619,060	\$ 1,265,576	\$ 3,884,636
2024	\$ 2,754,600	\$ 1,177,236	\$ 3,931,836
2025-2029	\$ 9,405,846	\$ 4,330,910	\$ 13,736,756
2030-2034	\$ 6,620,000	\$ 2,929,320	\$ 9,549,320
2035-2039	\$ 4,735,000	\$ 1,714,050	\$ 6,449,050
2040-2044	\$ 3,690,000	\$ 785,000	\$ 4,475,000
2045	\$ 855,000	\$ 42,750	\$ 897,750
<b>TOTAL</b>	<b>\$ 38,193,494</b>	<b>\$ 16,563,861</b>	<b>\$ 54,757,355</b>

### **Business-Type Activities**

Long-term liabilities of the City's business-type activities consist of 1) revenue and general obligation bonds, 2) compensated absences, 3) notes and loans payable to state and local government agencies, 4) closure and post-closure care liability for the City's landfill, 5) Capital Leases 6) Total Other Post-Employment Benefits (OPEB) Liability, 7) Net Pension Liability and 8) Local Improvement Districts (LID's) with commitments. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long Term Business Type Liabilities and Debt which includes changes to long-term liability activities for 2019.

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

**Refunded Debt** – In 2019 the City's issued \$7,430,000 in Electric revenue bonds to provide resources to purchase State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$8,665,000 of outstanding 2009 Electric revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position for Business-Type activities and for the Electric Fund. The refunding reduced total debt service payments over the next 20 years by \$1,364,519 and resulted in an economic gain of \$1,051,941.

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

**Landfill Closure and Post-Closure Care Liability** - The City of Richland owns and operates a 57-acre municipal solid waste landfill. Currently, 46 acres are permitted for disposal of waste. State and Federal regulations require that the City place a final cover on its landfill once its capacity is depleted. The City is also required to perform maintenance and environmental monitoring at the site for thirty years following closure. Although closure and post-closure care costs will be paid only near or after the date the landfill site is filled to capacity, the City must recognize the expense related to these activities as the related liability is incurred. The expense and concurrent liability is calculated based upon the landfill capacity used to date. The percentage of capacity used is measured annually. This percentage is then applied to the estimated cost to close the landfill and provide post-closure care for thirty years. The estimate of these costs may differ from the actual costs due to inflation, changes in technology, or changes in regulations.

The City's closure/post-closure operations plan is to proceed in two phases. Closure of the first phase was completed during 2011. While monitoring and maintenance activities are taking place on the first phase area, true post-closure care will not commence until both phases are closed. As of the end of 2019, the landfill volume used was 95%. The remaining landfill area is anticipated to reach full capacity and require closure in 2020. This projected date of closure may be extended due to city-wide waste diversion efforts which began in 2010. As of December 31, 2019, the City had sufficient funds set aside to fund the projected \$3,719,400 construction costs of the second phase closure infrastructure and provide approximately 23% of the post-closure care. Cash and investments of \$4,499,281 or 62.68% of required reserves, have been accumulated. The post-closure care of the current landfill site is estimated to cost \$3,459,000 in current dollars. The additional \$2,679,119 of reserves necessary to complete the 30 years of post-closure care will be funded through operations.

The City's waste management software tracked 68,557 tons of waste accepted in 2019. The current year expense for the related use of available volume was \$286,453. Also during 2019, the estimate of closure cost was updated, which resulted in the recognition an additional expense of \$24,989.

**Capital Leases** – The City has three capital leases for a pumper truck, a wildlands brush truck, and compactor. For more information on capital leases, see Note 6 to the financial statements.

**Total OPEB Liability** – As noted in the governmental activities section, the City reported an overall TOL of \$33,564,220. The TOL related to governmental activities as of December 31, 2019, is \$31,184,791 and the TOL related to business type activities is \$2,379,429.

**Net Pension Liability** – As per GASB 68 the City is required to report a proportionate share of the State's pension liability from the PERS 1, PERS 2 and 3, LEOFF 1 and LEOFF 2 State Pension Plans. PERS 1 and PERS 2/3 Plans have Net Pension Liabilities (NPL) that are reflected in the following table. The City's share of the Net Pension Liability for PERS 1 and PERS 2/3 is \$10,582,369 of which \$5,213,157 is allocated to business-type activities based on contributions of each fund. Governmental Funds are only reported on the Statement of Net Position however proprietary funds have recorded their share of the liability in the fund financial statements.

**Special Assessment Debt** – The City has two LID's with commitments. LID 193 Saint St is in the Special Assessment Debt Service Fund. As of December 31, 2019, the City's debt for this LID's is \$5,527. The City also issued 2017 ULID bonds in the Water and Sewer Funds to finance improvements related to Reata LID 197. The Water and Sewer Funds are fully obligated to repay the bonds. Current and delinquent assessments receivable in the Water and Sewer Funds are disclosed in Note 1 under the heading "Assessments".



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The following tables provide a comprehensive record of all long-term liabilities for business-type activities as of December 31, 2019:

SCHEDULE OF LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES								
REVENUE BONDS								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 01/01/2019	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2019	DUE WITHIN ONE YEAR
2009-Electric Revenue –Capital Improvements	1.21%-6.37%	11/1/2039	11,200,000	8,945,000		8,945,000	-	
2013 A Electric Revenue Refunding	.50%-2.50%	11/1/2020	925,000	880,000		515,000	365,000	365,000
2013 B Electric Revenue- Capital Improvement and Refunding	2.00%-5.00%	11/1/2042	19,455,000	16,665,000		585,000	16,080,000	615,000
2015 Electric Utility Revenue Bonds	2.00%-4.75%	11/1/2045	19,435,000	19,435,000		215,000	19,220,000	385,000
2018 Electric Revenue Improvement & Refunding	3.00%-5.00%	11/1/2047	19,800,000	19,800,000		1,320,000	18,480,000	1,385,000
2019A Electric Revenue Improvement & Refunding	4.00%-5.00%	11/1/2044	12,525,000	-	12,525,000		12,525,000	295,000
2019T (Taxable) Electric Revenue & Refunding	2.23%-3.21%	11/1/2033	3,145,000	-	3,145,000		3,145,000	-
2009-Water/Sewer Improvement & Refunding	2.50%-5.125%	12/1/2038	21,975,000	4,520,000		1,495,000	3,025,000	1,475,000
2012 Water Wastewater Improvement & Refunding	2.00%-4.00%	11/1/2034	7,540,000	6,120,000		305,000	5,815,000	315,000
2014 Waterworks Revenue & Refunding	2.00%-4.00%	11/1/2023	9,985,000	7,095,000		1,450,000	5,645,000	1,510,000
2017 Wasteworks Utility Revenue & Refunding Bonds	2.00%-5.00%	11/1/2042	12,455,000	12,420,000		100,000	12,320,000	105,000
<b>TOTAL REVENUE BONDED DEBT</b>							<b>96,620,000</b>	<b>6,450,000</b>
GENERAL OBLIGATION DEBT ISSUED FOR BUSINESS-TYPE ACTIVITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 01/01/2019	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2019	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1993 SolidWaste Bond)	2.00% - 2.25%	12/1/2019	1,205,000	135,000		135,000	-	
2010 LTGO Refunding (1998 LTGO Refund, 1996 Golf Course Ref)	2.00%- 4.30%	12/1/2039	4,460,000	3,670,000		110,000	3,560,000	115,000
2013A LTGO - Broadband Portion to construct a fiber optic structure to support communications network	1.125%-4.00%	12/1/2037	1,200,000	1,200,000		-	1,200,000	-
2013B LTGO - Broadband Portion to construct a fiber optic structure to support communications network	.38%-3.50%	12/1/2027	1,165,000	740,000		80,000	660,000	80,000
<b>TOTAL GENERAL OBLIGATION BONDED DEBT FOR BUSINESS-TYPE ACTIVITIES</b>							<b>5,420,000</b>	<b>195,000</b>

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OTHER BUSINESS-TYPE LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 01/01/2019	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2019	DUE WITHIN ONE YEAR
PWTF #PW-00-691-047 Water Leak Program (Replace Aging Water Lines)	1.00%	7/1/2020	6,432,914	678,794		339,397	339,397	339,397
PWTF #PW-03-691-020 Water Main Replacement	0.50%	7/1/2023	8,755,000	2,533,306		506,661	2,026,645	506,661
DWSRF Loan #02-65102-039 Rchld Wellfield Disinfection	1.00%	10/1/2023	1,984,802	580,651		116,130	464,521	116,130
DWSRF Loan #02-65102-040 Rchld Wellfield Capacity	1.00%	10/1/2023	978,117	287,681		57,536	230,145	57,536
DWSRF Loan #03-65103-045 Badger Mountain Pump Station	1.50%	10/1/2024	580,000	217,500		36,250	181,250	36,250
DWSRF Loan #DM09-952-029 Horn Rapids Water Reservoir	1.50%	10/1/2029	3,030,000	1,765,674		160,516	1,605,158	160,516
#L1400029 Dept. of Ecology Loan for Decant Facility Retrofit & Relocation	1.10%	6/30/2020	400,258	136,105		90,487	45,618	45,618
Dept of Ecology Loan #L97000040 for Development of Stormwater Comprehensive Plan	4.30%	3/1/2024	145,776	54,821		9,038	45,783	9,430
Dept. of Ecology Recovery Act Loan L1000013 Aeration Basin Project Wastewater	2.90%	5/27/2031	1,538,338	1,069,524		72,044	997,480	74,161
HAEIF Loan #58-01-01 - Broadband Fund -Fiber Network	3.00%	7/1/2021	200,000	72,368		29,908	42,460	30,836
Landfill Compactor Lease (Q000106371-7)	4.95%	5/17/2023	312,046	-	312,046	58,710	253,336	60,559
PC20-96103-049 Solid Waste Public Works Loan	1.58%	6/1/2034	34,560	-	34,560		34,560	-
Loan from Fire Pension Fund (LD 193 Saint St)		1/5/2025	67,053	8,642		3,115	5,527	
Liability for Landfill Closure			N/A	6,414,192	311,442	-	6,725,634	
Compensated Absences			N/A	2,096,404	1,837,655	1,854,519	2,079,540	1,039,770
Net Pension Liability- State PERS/LEOFF Plans			N/A	6,756,717		1,543,559	5,213,158	-
Total OPEB Liability - City Post Emp Healthcare			N/A	2,701,019		321,590	2,379,429	212,397
Capital Lease #001-00539-2363615-9001 Zion Bank, Wildland Brush			343,464	82,451		40,238	42,213	42,213
Capital Lease #202415000 - 2017 Pierce Enforcer Pumper Truck			632,812	513,833		122,655	391,178	126,445
TOTAL OTHER BUSINESS-TYPE LIABILITIES							23,103,032	2,857,919
TOTAL BUSINESS-TYPE LIABILITIES							125,143,032	9,502,919

In the Statement of Net Position for Business-Type Activities - Enterprise Funds, the long-term portion of the bonds payable are reported net of unamortized discounts and premiums. Bond issuance costs are reported as expense in the year paid. For the year ended December 31, 2019, the amount reported in the Statement of Net Position as bonds payable is as follows:

BONDED DEBT	ELECTRIC	WATER	SEWER	STORM-WATER	*GOLF COURSE	*BROAD-BAND	TOTAL
Current Portion	\$ 3,045,000	\$ 1,903,770	\$ 1,476,230	\$ 25,000	\$ 115,000	\$ 80,000	\$ 6,645,000
Long-Term Portion	\$ 66,770,000	\$ 13,857,036	\$ 8,822,964	\$ 720,000	\$ 3,445,000	\$ 1,780,000	\$ 95,395,000
Net unamortized premiums and discounts	\$ 6,923,800	\$ 1,577,544	\$ 1,068,075	\$ 100,570	\$ 52,598	\$ (26,669)	\$ 9,695,918
Net Long-Term Portion	\$ 73,693,800	\$ 15,434,580	\$ 9,891,039	\$ 820,570	\$ 3,497,598	\$ 1,753,331	\$ 105,090,918
Total Reported Liability	\$ 76,738,800	\$ 17,338,350	\$ 11,367,269	\$ 845,570	\$ 3,612,598	\$ 1,833,331	\$ 111,735,918

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

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The annual debt service requirements to maturity as of the fiscal year ended December 31, 2019 for business-type debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

SCHEDULE OF DEBT SERVICE FOR BUSINESS TYPE ACTIVITIES			
YEAR ENDING DECEMBER 31	PRINCIPAL	INTEREST	TOTAL
2020	\$ 8,250,298	\$ 4,440,290	\$ 12,690,588
2021	\$ 8,053,242	\$ 4,239,284	\$ 12,292,526
2022	\$ 6,869,584	\$ 3,926,799	\$ 10,796,383
2023	\$ 4,949,811	\$ 3,674,014	\$ 8,623,825
2024	\$ 3,580,568	\$ 3,499,601	\$ 7,080,169
2025-2029	\$ 19,909,390	\$ 15,239,642	\$ 35,149,032
2030-2034	\$ 22,606,980	\$ 10,776,223	\$ 33,383,203
2035-2039	\$ 19,905,000	\$ 5,893,363	\$ 25,798,363
2040-2044	\$ 12,455,000	\$ 2,074,121	\$ 14,529,121
2045-2047	\$ 2,175,000	\$ 127,450	\$ 2,302,450
<b>TOTAL</b>	<b>\$ 108,754,873</b>	<b>\$ 53,890,787</b>	<b>\$ 162,645,660</b>

A table for waterworks parity debt is presented below.

Table for Waterworks (Water, Sewer, Stormwater) Parity Debt								
	2019	2018	2017	2016	2015	2014	2013	2012
Gross Revenue	30,136,804	29,452,312	28,016,663	27,676,910	26,871,768	26,116,348	25,341,395	24,420,238
Less Operating Expenses	13,442,659	13,746,283	13,344,677	15,268,317	13,517,407	13,224,346	13,159,683	12,545,694
Net Amount Available For Debt Service	16,694,145	15,706,029	14,671,986	12,408,593	13,354,361	12,892,002	12,181,712	11,874,544
 Total Annual Debt Service	 4,645,100	 4,664,300	 4,320,347	 4,185,638	 4,188,047	 3,332,256	 4,439,800	 4,449,689
 Water/Sewer Debt Coverage	 3.59	 3.37	 3.40	 2.96	 3.19	 3.87	 2.74	 2.67

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

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

**Compensated Absences** - City employees are credited on a bi-weekly basis with sick and vacation leave at rates established by City ordinance or union agreement. In compliance with Washington State Initiative 1433, as of January 1, 2018, the City provides paid sick leave to employees. This mandatory State requirement allows

employees to request paid sick leave and seek medical diagnosis and treatment for a non-work related injury or illness.

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

PTO is accrued when incurred in the government-wide and proprietary fund financial statements. PTO, which may be accumulated up to 500 hours for PERS I employees and 800 hours for PERS II and PERS III employees, is payable upon resignation, retirement or death. On December 31, 2019, the City’s accrued vacation, PTO and sick leave amounted to \$5,606,728. This amount includes \$487,960 of internal services funds that are allocated within the business-type activities.

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

#### **NOTE 5. FINANCIAL GUARANTEES AND PLEDGED REVENUES**

In 2015 the City worked with the Richland Public Facility District (PFD) to complete a current refunding of \$5,280,000 of the PFD’s then-outstanding 2004 limited tax general obligation bonds. The City was involved in the refunding because debt service on the 2004 bonds was guaranteed by the City through a “Contingent Loan Agreement”, dated January 13, 2004, between the City and the PFD, whereby the City irrevocably pledged its full faith, credit and resources to make loans to the PFD in the event that the PFD could not meet the payments on the bonds. The City agreed to a new contingent loan agreement with the PFD to offer the same guarantee for the 2015 bond issue. The obligation of the City to make loans to the PFD for debt service shall terminate upon payment in full of the principal and interest on all outstanding bonds. The repayment terms of the loan agreement mandate repayment of interest and principal to the City from available pledged revenues of the PFD. To date all scheduled bond payments of principal and interest have been paid by the PFD and the City has not made loans to the PFD. Based on projections of the PFD’s pledged revenues, the City does not anticipate that it will be necessary to make loans to the district. As of December 31, 2019, the outstanding principal of the PFD’s 2015 General Obligation refunding bonds is \$3,995,000.

In addition to the Contingent Loan Agreement, the City pledged \$125,000 annually from its lodging tax revenues in support of debt service on the aforementioned PFD bonds. This amount is transferred annually until the bonds are retired in 2028. In 2019, the \$125,000 lodging tax pledged toward the bonds, as a percentage of total lodging tax revenues and as a percentage of the PFD’s annual debt service, was 9.7% and 26.5%, respectively.

#### NOTE 6. LEASE COMMITMENTS

**Operating Leases** - The City has utilized an operating lease as a competitive alternative for purchasing and maintaining certain equipment. Currently, the City has an operating lease for a Pitney Bowes Sorter/Postage machine. Total cost for this lease was \$33,385 for year ended December 31, 2019.

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

OPERATING LEASE		
YEAR	Pitney Bowes Sorter/Insertor Postage	TOTAL LEASE PAYMENTS PER YEAR
2020	33,385	33,385
TOTAL	\$ 33,385	\$ 33,385

**Capital Leases** - The City utilized lease agreements to finance certain pieces of equipment. These leases qualify as capital leases for accounting purposes, therefore they have been recorded at the present value of their future minimum lease payments as of the inception date. There were three active capital leases as of December 31, 2019.

Assets acquired through capital leases are as follows:

LEASED ASSETS - BUSINESS-TYPE ACTIVITIES	
WILDLAND BRUSH TRUCK	\$ 343,464
ENFORCER PUMPER TRUCK	632,479
CATAPILLER COMPACTOR	846,241
LESS ACCUMULATED DEPRECIATION	(290,409)
TOTAL	\$ 1,531,775

The future minimum lease obligation and the net present value for these minimum lease payments as of December 31, 2019, were as follows:

CAPITAL LEASES - BUSINESS-TYPE ACTIVITIES				
YEAR	WILDLAND BRUSH TRUCK	ENFORCER PUMPER TRUCK	CATAPILLER COMPACTOR	TOTAL LEASE PAYMENTS PER YEAR
2020	44,286	138,533	80,909	263,728
2021	-	138,533	80,909	219,442
2022	-	138,533	80,909	219,442
2023	-	-	80,909	80,909
TOTAL MINIMUM LEASE PAYMENTS	\$ 44,286	\$ 415,599	\$ 323,636	783,521
LESS: INTEREST	(2,073)	(24,420)	(70,301)	(96,794)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 42,213	\$ 391,179	\$ 253,336	\$ 686,727

## NOTE 7. INTERFUND TRANSFERS

The following table provides a summary of interfund transfers for the year ended December 31, 2019.

Transferred From...	Transferred To...							
	General Fund	Streets Construction Fund	General Governmental Construction Fund	Other Governmental Funds	Major Enterprise Funds	Other Enterprise Funds	Internal Service Funds	Total
General Fund	\$ -	\$ 955,000	\$ 991,677	\$ 1,454,242	\$ -	\$ 605,000	\$ 524,042	\$ 4,529,961
Other Governmental Funds	285,882	3,085,223	-	1,949,002	-	-	24,000	5,344,107
Major Enterprise Funds	-	-	-	-	-	55,000	-	55,000
Other Enterprise Funds	-	-	-	23,385	-	-	-	23,385
Total	\$ 285,882	\$ 4,040,223	\$ 991,677	\$ 3,426,629	\$ -	\$ 660,000	\$ 548,042	\$ 9,952,453

In 2019, the City's enterprise operations paid a total of \$10,657,445 in Occupation Taxes to the City's General and Streets Funds. In accordance with GASB Statement No. 34, the expense is reflected as an operating expense in the Fund Financial Statements, while payments of this nature are to be reported on the City's Government-wide Statement of Activities as transfers. Therefore, the amount of transfers reported on the General and Street Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance are different by this amount.

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

Purpose: Reimbursement of expenses accounted for in one fund with revenues accounted for in another fund and/or required contributions.					
Transferred From...		Transferred To...			
		General Fund	Other Governmental Funds	Other Enterprise Funds	Total
			Streets	Medical Services	
General Fund		\$ -	\$ 804,429	\$ 550,000	\$ 1,354,429
Other Governmental Funds	Transportation Benefit District	-	112,600	-	112,600
	Industrial Development	51,725	-	-	51,725
	Criminal Justice	66,073	-	-	66,073
	Hotel/Motel Tax	-	-	-	-
Total		\$ 117,798	\$ 917,029	\$ 550,000	\$ 1,584,827

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Purpose: Debt service and/or contributions toward capital and other improvements												
Transferred From...		Transferred To...										
		Major Governmental Funds				Other Governmental Funds				Other Enterprise Funds	Internal Service Funds	Total
		General Fund	Street Construction	General Govt Construction	Industrial Development	LTGO Bonds Debt Service	Fire Station 74 Debt Service	LID Guaranty Debt Service	Park Project Construction	Broadband	Equipment Replacement	
General Fund		\$ -	\$ 955,000	\$ 991,677	\$ -	\$ 410,907	\$ 238,906	\$ -	\$ -	\$ 55,000	\$ 524,042	\$ 3,175,532
Other Governmental Funds	Streets	-	-	-	-	-	-	-	-	-	24,000	24,000
	Transportation Benefit District	-	769,772	-	-	-	-	-	-	-	-	769,772
	Park Reserve	-	-	-	-	69,053	-	-	495,000	-	-	564,053
	Industrial Development	-	1,317,146	-	-	-	-	-	60,000	-	-	1,377,146
	Public Safety Sales Tax	-	-	-	-	-	-	-	10,000	-	-	10,000
	Hotel/Motel Tax	168,084	-	-	-	-	-	-	201,369	-	-	369,453
	CDBG	-	15,355	-	-	-	-	-	88,820	-	-	104,175
	Special Assessment Debt Service	-	-	-	-	-	-	169	-	-	-	169
	Capital Improvement	-	982,950	-	33,754	718,237	-	-	160,000	-	-	1,894,941
Electric Fund		-	-	-	-	-	-	-	-	30,000	-	30,000
Water Fund		-	-	-	-	-	-	-	-	20,000	-	20,000
Sewer Fund		-	-	-	-	-	-	-	-	5,000	-	5,000
Other Enterprise Funds	Broadband	-	-	-	-	23,385	-	-	-	-	-	23,385
Total		\$ 168,084	\$ 4,040,223	\$ 991,677	\$ 33,754	\$ 1,221,582	\$ 238,906	\$ 169	\$ 1,015,189	\$ 110,000	\$ 548,042	\$ 8,367,626

**NOTE 8. RISK MANAGEMENT**

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

**Washington Cities Insurance Authority (WCIA)**

The City of Richland is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 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 [1]. 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.

The City of Richland paid \$1,380,968 in premiums for coverage in 2019.

#### **Employee Benefits, Workers' Compensation, and Unemployment**

**Medical, Dental and Vision Insurance Benefits** - The City offers comprehensive medical coverage on a self-insured basis. Reinsurance for medical benefits is provided by QBE Insurance Corporation. Dental benefits are entirely self-insured. Vision coverage is a fully funded program. Both the City and the employee share in the premium cost of medical and dental benefits. Medical and dental benefits are administered by Cigna Health and Life Insurance Company. Stop Loss coverage is provided by QBE Insurance Corporation. The Stop Loss premium was \$662,733 in 2019, of which \$49,966 was allocated to retiree coverage in the Post-employment Healthcare Plan. Vision coverage is provided by Vision Service Plan. The City accounts for all of these activities in the Employee Benefits Internal Service Fund. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier.

Medical, dental and vision coverage requires all claims to be submitted and paid within one year of the service date. Due to the short time frame, liabilities for outstanding payments have not been discounted. There have been no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. All City healthcare claims are processed through this fund and monthly journal entries are completed to move retiree claims to the Post Employment Healthcare Plan Fund. The City records estimates of incurred but not reported claims as an expense offset by liability for estimated claims payments. The basis for estimating liabilities for unpaid claims and administrative expense is based on an average of the prior 24 months of fund expense. The fund maintains a reserve for estimated claims outstanding at year end and the related administrative expense. The reserve was decreased by \$129,000 in 2019 and is based on an estimated sixteen weeks of fund expense.

As of December 31, 2019, the estimated claims reserve has \$2,240,000 set aside for estimated claims liabilities. Settlements have not exceeded available resources for these benefits in the previous three years.



The following is a reconciliation of changes in the aggregate liabilities for healthcare claims for the fiscal years 2017 through 2019:

EMPLOYEE HEALTHCARE BENEFITS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2019	2,369,000	8,076,506	(129,000)	7,947,506	2,240,000
2018	3,106,822	9,497,828	(737,822)	8,760,006	2,369,000
2017	3,091,648	7,874,374	15,174	7,874,374	3,106,822

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

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

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

Unemployment claims are self-insured with the City retaining all risk for claims. Workers' Compensation and Unemployment activities are accounted for in the Workers' Compensation and Unemployment internal service funds, respectively. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier. The basis for estimating liabilities for unpaid claims is based on an analysis of the subsequent year's claims processed for activities incurred in the current year. There are no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. The Workers' Compensation Fund and Unemployment Fund have \$78,852 and \$26,826, respectively set aside in reserves for potential incurred but not reported claims.

The following tables reflect a reconciliation of changes in the aggregate liabilities for claims for the fiscal years 2017 through 2019:

WORKERS COMPENSATION CLAIMS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2019	119,687	430,557	(40,835)	430,557	78,852
2018	130,157	825,286	(10,470)	825,286	119,687
2017	139,313	536,644	(9,156)	536,644	130,157

UNEMPLOYMENT CLAIMS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2019	24,418	73,909	2,408	73,909	26,825
2018	21,470	61,167	2,938	61,167	24,418
2017	38,453	103,640	(16,974)	103,640	21,470

#### NOTE 9. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2019:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	\$ (33,564,220)
Deferred Outflows of Resources	1,362,921
Deferred Inflows of Resources	(839,638)
OPEB Expenses/Expenditures	252,458

#### Post-Employment Healthcare Plan- Citywide

##### Plan Description

The City of Richland administers a single-employer defined benefit post-employment healthcare plan ("the Plan"). The plan provides healthcare insurance for eligible retirees, their spouses, and eligible children through the City's health insurance plan, which covers retired members. The plan provides healthcare benefits and prescription coverage. The plan does not cover dental or vision benefits, although retirees may purchase these benefits through COBRA. The City implemented the plan on January 1, 2003 in accordance with recommendations from the Benefits and Services Focus Group appointed by the City. The City offered all bargaining units an irrevocable and one time opportunity to participate in the Post-Employment Health Insurance Program. In lieu of participation in this benefit program, the International Association of Fire Fighters (IAFF) Local 1052 and Southeast Washington Tele Communicators Guild (SEWTG) elected to take additional wages. All

remaining bargaining units and unaffiliated employees opted to participate in the Plan. Effective December 31, 2012, the City closed the Plan to new participants.

#### Benefits Provided

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

#### Employees Covered by Benefit Terms

At December 31, 2018 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	57
Inactive employees entitled to but not yet receiving benefit payments	-
Active Employees	114
Total	171

#### Changes to the Plan

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

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

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

Plan Participants	Employee Contribution (deposited to RHS plan)	City Contribution <sup>1-</sup> Contributed to Fund 522 <sup>2-</sup> Contributed to employee RHS Plan	Second Payroll in January Mandatory PTO Buy Out to Transfer to RHS If PTO Balance 400-599 Hours	Second Payroll in January Mandatory PTO Buy Out to Transfer to RHS If PTO Balance 600-800 Hours
<sup>1</sup> Existing Emp - OPEB Plan	1% Salary	\$10,000 Annual	20 Hours	40 Hours
<sup>2</sup> New Employee in RHS	1% Salary	1% Salary	20 Hours	40 Hours
<sup>2</sup> Existing Employee Opted out of OPEB Plan to RHS	1/2% Salary	1% Salary	20 Hours	40 Hours

### Contributions

The Post-Employment Health Insurance Program is funded on a "pay as you go" basis. The City pays benefits as they come due.

### Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2018, and was used to calculate the total OPEB liability measured as of December 31, 2019.

Changes in the Total OPEB Liability	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2018	\$ 10,859,388
Changes for the year:	
Service Cost	327,477
Interest	394,657
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	185,689
Changes of Assumptions	(394,411)
Benefit Payments	(1,030,936)
Implicit Rate Subsidy Fulfilled	(294,447)
Other Miscellaneous Income/(Expense)	-
Net Changes	(811,971)
Balance as of Report Date December 31, 2019	\$ 10,047,417

### Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>Dec 31, 2018</u>	<u>Dec 31, 2019</u>	
	<u>Measurement</u>	<u>Measurement</u>	
	<u>Date</u>	<u>Date</u>	
Discount Rate	3.75%	2.75%	
Inflation	2.50%	2.50%	
Healthcare Cost Trend Rates	6.50%	6.00%	Trending down to 3.84% over 56 years
Salary Increases	3.00%	3.00%	Additional merit-based increases based on merit salary increase tables

Mortality rates were based on Office of the State Actuary tables.

\* Projections of the sharing of benefit-related costs are based on an established pattern of practice

### Discount Rate

The discount rate used to measure the total OPEB liability is 2.75%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

### Sensitivity of the total OPEB liability changes in the discount rate

The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.75%</u>	<u>2.75%</u>	<u>3.75%</u>
<b>Total OPEB Liability (Asset)</b>	<b>\$ 10,658,175</b>	<b>\$ 10,047,417</b>	<b>\$ 9,460,319</b>

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

The total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00%) or one percentage point higher (7.00%) than current healthcare cost trend rates follows:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	5.00%	6.00%	7.00%
	Decreasing to	Decreasing to	Decreasing to
	2.84%	3.84%	4.84%
<b>Total OPEB Liability (Asset)</b>	<b>\$ 9,117,712</b>	<b>\$ 10,047,417</b>	<b>\$ 11,117,671</b>

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

For the year ended December 31, 2019, the City recognized an OPEB expense of \$840,099. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences Between Actual and Expected Experience	\$ 157,974	\$ (504,095)
Changes of Assumptions	1,204,947	(335,543)
City Contributions Subsequent to the Measurement Date	-	-
<b>Total</b>	<b>\$ 1,362,921</b>	<b>\$ (839,638)</b>

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

<u>Report Year Ending December 31:</u>	<u>Amount</u>
2020 \$	117,965
2021	117,965
2022	117,965
2023	117,965
2024	117,965
Remaining	(21,804)

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

##### Plan Description

The City of Richland provides postemployment health care benefits via two single employer defined benefit OPEB plans in accordance with State statute for retired police officers and firefighters who are eligible under the Law

Enforcement Officers' and Firefighters (LEOFF 1) plan retirement system. The LEOFF 1 OPEB plans for Police and Fire are administered by the Police and Fire Pension plans discussed in more detail in Note 10.

### Benefits Provided

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

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

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

### Employees Covered by Benefit Terms

At December 31, 2018 (the census date), the benefit terms covered the following employees:

Category	Fire Fighters	Police Officers
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	27	31
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active Employees	-	-
Total	27	31

### Contributions

The City contributes an amount to the fund equal to the benefits paid.

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

## Total OPEB Liability

The City's total OPEB liability for LEOFF 1 Fire and LEOFF 1 Police plans was valued as of December 31, 2018, and was used to calculate the total OPEB liability measured as of December 31, 2019.

## Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>Dec 31, 2018</u>	<u>Dec 31, 2019</u>	
	<u>Measurement</u>	<u>Measurement</u>	
	<u>Date</u>	<u>Date</u>	
Discount Rate	3.75%	2.75%	
Inflation	2.50%	2.50%	
Healthcare Cost Trend Rates	6.50%	6.00%	Trending down to 3.84% over 56 years
Salary Increases	3.00%	3.00%	Additional merit-based increases based on merit salary increase tables

Mortality rates were based on SOA tables

\* Projections of the sharing of benefit-related costs are based on an established pattern of practice

## Discount Rate

The discount rate used to measure the total OPEB liability was 2.75%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

## Ad Hoc Changes

There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

## Experience Studies

There were no experience studies used in the valuation.

## Sharing of Benefit-Related Cost with Inactive Employees

Inactive employees do not contribute to benefit-related costs.



### **Basis of Accounting**

The fund financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. The City's contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan and all plan investments are reported at fair market value as of December 31, 2019.

### **Funding Policy**

The City does not require retiree contributions. As of 2018 all Fire Pension and Police Pension funding is reported in the General Fund. These funds provide for both OPEB and Pension Benefits to LEOFF 1 employees. Contributions for the fire plan are derived from an annual property tax levy of up to \$ 0.2250 per \$1,000 of assessed property value. In addition, on an annual basis, the State contributes a fixed amount based on the number of active firefighters per RCW 41.16.050(2). Contributions for the police plan are derived from contributions by the City's General Fund. The City contributes the cost of medical claims paid on behalf of members of both plans through the Employee Benefit Fund. Contributions are recognized when they are earned and become measurable.

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

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The following tables show the changes in total OPEB liability during calendar year 2019:

<b>Changes in the Total OPEB Liability (LEOFF 1 Fire)</b>	<b>Total OPEB Liability Increases (Decreases)</b>
Balance as of Report Date December 31, 2018	\$ 9,055,358
Changes for the year:	
Service Cost	-
Interest	335,022
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(251,890)
Changes of Assumptions	(75,491)
Benefit Payments	(242,857)
Implicit Rate Subsidy Fulfilled	-
Other Miscellaneous Expenses	-
Net Changes	(235,216)
<b>Balance as of Report Date December 31, 2019</b>	<b>\$ 8,820,142</b>

<b>Changes in the Total OPEB Liability (LEOFF 1 Police)</b>	<b>Total OPEB Liability Increases (Decreases)</b>
Balance as of Report Date December 31, 2018	\$ 15,533,433
Changes for the year:	
Service Cost	-
Interest	577,975
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(455,025)
Changes of Assumptions	(718,232)
Benefit Payments	(241,490)
Implicit Rate Subsidy Fulfilled	-
Other Miscellaneous Income/(Expenses)	-
Net Changes	(836,772)
<b>Balance as of Report Date December 31, 2019</b>	<b>\$ 14,696,661</b>

#### Sensitivity of the total OPEB liability changes in the discount rate

The total OPEB liability of LEOFF 1 Fire and LEOFF 1 Police, as well as what the total OPEB liability for each would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) follows:

LEOFF 1 Fire	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.75%</u>	<u>2.75%</u>	<u>3.75%</u>
<b>Total OPEB Liability (Asset)</b>	<b>\$ 9,880,410</b>	<b>\$ 8,820,142</b>	<b>\$ 7,932,988</b>

LEOFF 1 Police	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.75%</u>	<u>2.75%</u>	<u>3.75%</u>
<b>Total OPEB Liability (Asset)</b>	<b>\$ 16,560,241</b>	<b>\$ 14,696,661</b>	<b>\$ 13,138,608</b>

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

The total OPEB liability of LEOFF 1 Fire and LEOFF 1 Police, as well as what the total OPEB liability for each would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00%) or one percentage point higher (7.00%) than current healthcare cost trend rates follows:

LEOFF 1 Fire	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
	<u>Decreasing to</u>	<u>Decreasing to</u>	<u>Decreasing to</u>
	<u>2.84%</u>	<u>3.84%</u>	<u>4.84%</u>
<b>Total OPEB Liability (Asset)</b>	<b>\$ 7,896,497</b>	<b>\$ 8,820,142</b>	<b>\$ 9,903,168</b>

LEOFF 1 Police	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
	<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
	<u>Decreasing to</u>	<u>Decreasing to</u>	<u>Decreasing to</u>
	<u>2.84%</u>	<u>3.84%</u>	<u>4.84%</u>
<b>Total OPEB Liability (Asset)</b>	<b>\$ 13,082,438</b>	<b>\$ 14,696,661</b>	<b>\$ 16,591,025</b>

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

For the report year ended December 31, 2019, the LEOFF 1 Fire and LEOFF 1 Police recognized OPEB expense of \$7,641 and (\$595,282) respectively. At December 31, 2019, the LEOFF 1 Fire and LEOFF 1 Police reported \$0 deferred outflows of resources related to OPEB and \$0 deferred inflows of resources related to OPEB.

**NOTE 10. PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68 - Accounting and Financial Reporting for Pensions and GASB Statement 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 for the year 2019:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (15,879,101)
Pension assets	\$ 12,587,750
Deferred outflows of resources	\$ 4,120,835
Deferred inflows of resources	\$ (10,064,683)
Pension expense/expenditures	\$ 1,670,528

**State Sponsored Pension Plans**

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

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

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

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

**Public Employees' Retirement System (PERS)**

PERS members include elected officials; State employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

### **PERS 1**

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

### **Contributions – PERS 1**

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January - June 2019:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.83%</b>	<b>6.00%</b>
July - December 2019:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>

### **PERS 2 and 3**

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at

least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

### Contributions – PERS 2/3

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – June 2019:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.83%</b>	<b>7.41%</b>
July – December 2019:		
PERS Plan 2/3	7.92%	7.90%

PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>

The City's actual PERS plan contributions were \$1,464,462 to PERS Plan 1 and \$2,279,911 to PERS Plan 2/3 for the year ended December 31, 2019.

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

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

##### **LEOFF 1**

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

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

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

##### **Contributions – LEOFF 1**

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

##### **LEOFF 2**

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are

actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

#### Contributions – LEOFF 2

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and State contributions on the LEOFF 2 basic salary earned for those services.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – June 2019		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>
July – December 2019		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.33%</b>	<b>8.59%</b>
Ports and Universities	8.59%	
Administrative Fee	0.18%	
<b>Total</b>	<b>8.77%</b>	<b>8.59%</b>

The City's actual contributions to the plan were \$794,365 for the year ended December 31, 2019.

The Legislature, by means of a special funding arrangement, appropriates money from the State General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the State constitution and could be changed by statute. For the State fiscal year ending June 30, 2019, the State contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$520,203.



## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's 2007-2012 Experience Study and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

## Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan

liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

#### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

#### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

#### Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$9,993,785	\$7,980,227	\$6,233,200
PERS 2/3	19,957,397	2,602,142	(11,638,991)
LEOFF 1	(2,098,928)	(2,565,760)	(2,968,824)
LEOFF 2	(1,863,511)	(10,021,991)	(16,681,178)

### Pension Plan Fiduciary Net Position

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

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

At June 30, 2019, the City reported a total pension liability of \$10,582,369 and a total pension asset of (\$12,587,751) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$7,980,227
PERS 2/3	2,602,142
LEOFF 1	(2,565,760)
LEOFF 2	(10,021,991)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(\$2,565,760)	(\$10,021,991)
State's proportionate share of the net pension asset associated with the employer	(17,354,734)	(6,563,061)
TOTAL	(19,920,494)	(16,585,052)

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

Plans	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	0.208701%	0.207529%	-0.001172%
PERS 2/3	0.265600%	0.267892%	0.002292%
LEOFF 1	0.129145%	0.129806%	0.000661%
LEOFF 2	0.442011%	0.432599%	-0.009412%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2019, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2019, the State of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

#### **Pension Expense**

For the year ended December 31, 2019, the City recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$310,692
PERS 2/3	482,694
LEOFF 1	(145,487)
LEOFF 2	144,624
<b>TOTAL</b>	<b>792,523</b>

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### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS PLAN 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(533,146)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	704,903	-
<b>TOTAL</b>	<b>704,903</b>	<b>(533,146)</b>

<b>PERS PLAN 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	745,520	(559,446)
Net difference between projected and actual investment earnings on pension plan investments	-	(3,787,659)
Changes of assumptions	66,633	(1,091,772)
Changes in proportion and differences between contributions and proportionate share of contributions	105,939	(337,863)
Contributions subsequent to the measurement date	1,166,749	-
<b>TOTAL</b>	<b>2,084,841</b>	<b>(5,776,740)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	(265,992)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>-</b>	<b>(265,992)</b>

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	721,172	(180,222)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,054,821)
Changes of assumptions	16,510	(1,127,795)
Changes in proportion and differences between contributions and proportionate share of contributions	197,818	(125,966)
Contributions subsequent to the measurement date	395,590	-
<b>TOTAL</b>	<b>1,331,090</b>	<b>(3,488,804)</b>

TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,466,692	(739,668)
Net difference between projected and actual investment earnings on pension plan investments	-	(6,641,619)
Changes of assumptions	83,143	(2,219,567)
Changes in proportion and differences between contributions and proportionate share of contributions	303,757	(463,828)
Contributions subsequent to the measurement date	2,267,242	-
<b>TOTAL</b>	<b>4,120,834</b>	<b>(10,064,682)</b>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2020	\$ (117,695)	\$ (1,218,823)	\$ (61,782)	\$ (568,242)
2021	(278,786)	(2,004,941)	(136,175)	(1,066,087)
2022	(99,487)	(923,106)	(49,414)	(449,159)
2023	(37,178)	(522,384)	(18,621)	(231,244)
2024		(220,112)		(66,598)
Thereafter		30,718		(171,974)

## Firefighter's Pension Plan

### Plan Description

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

### Benefits Provided

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

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

### Employees covered by benefit terms

At December 31, 2018 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	19
Inactive employees entitled to but not yet receiving benefit payment:	-
Active employees:	-
<b>Total</b>	<b>19</b>

### Contributions

The City pays benefits as they come due (pay-as-you-go). The agency does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board.

Contribution rate:	Benefits Due
Reporting period contributions: \$	135,147

#### Net Pension Liability

The City's total pension liability was valued as of December 31, 2018, and was used to calculate the net pension liability measured as of December 31, 2019.

#### Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2018	December 31, 2019
Discount Rate	3.75%	2.75%
Inflation	2.50%	2.50%

Mortality rates were based on SOA tables.

#### Discount Rate

Fidelity municipal government-obligation AA-rated 20-year bond index rate was used for the discount rate. The selected rate was 2.75%.

#### Ad Hoc Changes

There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

#### Experience Studies

There were no experience studies used in this valuation.

#### Sharing of Benefit-Related Cost with Inactive Employees

Inactive employees do not contribute to benefit-related costs.



#### Changes in the Net Pension Liability (Fire Pension Fund)

Changes in the Net Pension Liability	<i>Increase/Decrease</i> <u>Total/Net Pension Liability</u>
<b>Balance as of Report Date December 31, 2018</b>	<b>\$ 1,664,161</b>
Changes for the year:	
Service Cost	-
Interest	59,872
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(13,348)
Changes of Assumptions	121,000
Benefit Payments	(135,147)
Other Miscellaneous Income/(Expense)	-
<b>Net Changes</b>	<b><u>32,377</u></b>
<b>Balance as of Report Date December 31, 2019</b>	<b><u>\$ 1,696,538</u></b>

#### Sensitivity of the net pension liability to changes in the discount rate

The net pension liability of the City, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.75%</u>	<u>2.75%</u>	<u>3.75%</u>
<b>Net Pension Liability (Asset)</b>	<b>\$ 1,835,847</b>	<b>\$ 1,696,538</b>	<b>\$ 1,575,539</b>

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

For the year ended December 31, 2019, the City recognized pension expense related to fire pension of \$167,524, deferred outflows of resources related to fire pension of \$0, and deferred inflows of resources related to fire pension of \$0.

## Police Pension Plan

### Plan Description

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

### Benefits Provided

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

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

### Employees covered by benefit terms

At December 31, 2018 (the census date), the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	20
Inactive employees entitled to but not yet receiving benefit payment:	-
Active employees:	-
<b>Total</b>	<b>20</b>

### Contributions

The City pays benefits as they become due (pay-as-you-go). The agency does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board.

Contribution rate:	Benefits Due
Reporting period contributions: \$	240,122

#### Net Pension Liability

The City's total pension liability was measured as of December 31, 2018 and was used to calculate the net pension liability measured as of December 31, 2019.

#### Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2018	December 31, 2019
Discount Rate	3.75%	2.75%
Inflation	2.50%	2.50%

Mortality rates were based on SOA tables.

#### Discount Rate

Fidelity municipal government-obligation AA-rated 20-year bond index rate was used for the discount rate. The selected rate was 2.75%.

#### Ad Hoc Changes

There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

#### Experience Studies

There were no experience studies used in the valuation.

#### Sharing of Benefit-Related Cost with Inactive Employees

Inactive employees do not contribute to benefit-related costs.

#### Changes in the Net Pension Liability (Police Pension Fund)

Changes in the Net Pension Liability	<i>Increase/Decrease</i> <u>Total/Net Pension Liability</u>
<b>Balance as of Report Date December 31, 2018</b>	<b>\$ 3,129,835</b>
Changes for the year:	
Service Cost	-
Interest	112,867
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(41,736)
Changes of Assumptions	639,350
Benefit Payments	(240,122)
Other Miscellaneous Income/(Expense)	-
<b>Net Changes</b>	<b><u>470,359</u></b>
<b>Balance as of Report Date December 31, 2019</b>	<b><u>\$ 3,600,194</u></b>

#### Sensitivity of the total pension liability to changes in the discount rate

The total pension liability of the City, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.75%</u>	<u>2.75%</u>	<u>3.75%</u>
<b>Net Pension Liability (Asset)</b>	<b>\$ 3,940,445</b>	<b>\$ 3,600,194</b>	<b>\$ 3,308,110</b>

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

For the year ended December 31, 2019, the City recognized pension expense related to police pension of \$710,481, deferred outflows of resources related to police pension of \$0, and deferred inflows of resources related to police pension of \$0.

#### NOTE 11. WHOLESALE POWER SUPPLY CONTRACTS

Since 1958, the City of Richland has traditionally purchased its wholesale electric power (energy and capacity) requirements from the Bonneville Power Administration (BPA) for resale to its retail customers. BPA, one of four, Federal Power Marketing Administrations (PMA), sells power output from the Federal Columbia River Power System (FCRPS), principally consisting of hydroelectric generating facilities owned by the U.S. Corps of Engineers and the U.S. Bureau of Reclamation, and the output from Energy

Northwest's Columbia Generating Station (CGS) nuclear plant. BPA supplements the generation resources with regional contractual and power exchange acquisitions. Regional consumer-owned wholesale utility customers, like the City of Richland, purchase Federal power under the preference clause of the Bonneville Project Act, allowing them priority firm access to FCRPS output. BPA also owns and maintains a regional high voltage transmission system, which delivers wholesale power to Richland's nine points of delivery. Richland has separate agreements with BPA for power and integrated network transmission services, expiring in 2028 and 2031 respectively.

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

Since 2002, Richland has been a member of Northwest Requirements Utilities (NRU), which represents the power and transmission interests of 53 consumer-owned electric utilities. In anticipation of operating under BPA's new Regional Dialogue Contract for wholesale power and desiring more control over tier 2 power resource options, 21 NRU members established a new entity, Northwest Energy Management Systems (NEMS), to provide administrative and non-Federal power management services. NEMS members include municipalities, public utility districts, and rural cooperatives. In order to accommodate State and organizational legal mandates, the member utilities created two additional entities for the purpose of actual resource acquisition. Northwest Intergovernmental Energy Supply (NIES) represents municipal and public utility district members while Northwest Energy Supply Cooperative (NESC) represents cooperatives. Richland is a NIES member. Both NIES and NESC have agreements allowing NEMS to provide all necessary administrative functions required to procure non-Federal resources. Richland elected to meet all of its tier 2 requirements through BPA from 2015-2019, and began using non-federal market purchases supplied by NIES beginning in late 2019. NEMS members actively evaluate resource acquisition opportunities, particularly for the post-2019 era. This effort includes considering renewable resources necessary to meet State renewable portfolio standards.

Richland is also a long-standing member of Energy Northwest (EN), a joint operating agency with 26 Washington consumer-owned electric utility members. Richland holds less than 2% interest in each of EN's nuclear generating projects 1, 2, and 3. Only Columbia Generating Station (CGS) Project 2 operates while projects 1 and 3 are terminated. Richland's pro-rata share of EN costs are included in the BPA wholesale priority firm power billings. BPA acquires the output of CGS and reimburses EN for its operating

and debt costs under a Direct Pay Agreement. Through a participant agreement, Richland remains obligated to pay its share of the cost of retiring the bonds for projects 1, 2 and 3 if the Direct Pay Agreement discontinues. Richland may also be obligated to pay, either as a participant or as a member of EN, the costs of project site restoration.

#### **NOTE 12. CONTINGENCIES AND LITIGATIONS**

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

Based upon current evaluation of the lawsuits, the City's legal counsel indicates that the City's exposure does not exceed the amount of reserves available for payment. The City is currently actively defending four lawsuits, one involving an allegation of civil rights violation, two involving allegations of negligence/personal injury valued at less than \$100,000, and one alleging trespass/inverse condemnation. The City believes it has defensible positions on these matters, and does not have an approximation of potential liability. Insurance coverage is available for any damages awarded, with the exception of punitive damages, which are highly unlikely. In addition, three matters are currently on appeal, with the high likelihood of City's success on the merits.

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

#### **NOTE 13. SUBSEQUENT EVENTS**

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

The City budgets conservatively and maintains appropriate reserves to help mitigate economic fluctuations and unforeseen events. At this time, there are no known material financial or operational impacts to the City. The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time.

#### **NOTE 14. SERVICE CONCESSION ARRANGEMENTS**

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

**Horn Rapids Off-Road Vehicle (ORV) Park**

In 2007 the City entered into an agreement with HRMC, Inc. (HRMC), under which HRMC operates and collects user fees from the Horn Rapids ORV Park for a five-year term, renewable for three additional five-year terms. HRMC pays the City a percentage of gross receipts from the revenues generated by operation of the ORV Park as follows: 2% of the first \$300,000 in annual gross receipts, and 3% of annual gross receipts exceeding \$300,000. HRMC is required to operate and maintain the ORV Park in accordance with the Agreement. At the end of the agreement term HRMC is required to “return the premises to the City in same or better condition, reasonable wear and tear accepted.” As a result, assets provided by the transferee are not currently depreciated. In addition, HRMC constructed and will construct certain improvements to the facilities which may be either permanent or removable in nature. Permanent structures constructed by HRMC on the premises become property of the City upon the expiration of the agreement’s final term. The City reports the ORV Park and related structures as a governmental capital asset with a carrying amount of \$3,196,150 at year end, and reports a deferred inflow of resources in the amount of \$2,020,100 related to the structures that have been constructed by HRMC.

**NOTE 15. FUND BALANCE CLASSIFICATION**

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

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

<b>Purpose of Restricted, Committed and Assigned Fund Balance, as displayed on the Governmental Funds Balance sheet (Other than debt service)</b>		
<u>Balance Sheet Description</u>	<u>Amount</u>	<u>Purpose</u>
<b><u>Restricted For:</u></b>		
Capital Improvements	5,369,673	Real Estate Excise Tax restricted for capital improvements
	3,213,000	Fire Station 75 Construction
	2,140,348	Acquisition and development of public open space (parks)
	30,845	Restricted by franchise agreement for cable broadcast equipment
	<u>10,753,866</u>	
Public Safety	1,816,436	Public Safety Sales/Criminal Justice Tax restricted to Criminal Justice purposes
	26,975	Police confiscations
	<u>1,843,411</u>	
Economic Environment	362,485	Contingency for performance of Hanford Reach Interpretive Center
	1,908,266	Lodging Tax proceeds restricted for tourism promotion
	1,016,482	HUD Program for owner occupies housing rehabilitation
	2,144,836	HUD Program for home down payment assistance
	983,724	Building Permit Proceeds - unspent
	4,506	Restricted for public art
	<u>6,420,299</u>	
Transportation	174,555	Transportation Improvement District tab fees for bridge & street improvements
	<u>174,555</u>	
Other Purposes	32,579	Administration of ICMA deferred compensation plans
	24,961	Police Operations
	<u>57,540</u>	
<b><u>Committed For:</u></b>		
Capital Improvements	452,951	Library capital improvements
	2,149,129	Park construction projects
	785,070	Streets construction projects
	195,155	Swift Blvd corridor/City Hall Improvements
	<u>3,582,305</u>	
Public Safety	4,766	Police Operations
	25,000	Police - Narcotics investigations
	60,540	Fire Equipment
	<u>90,306</u>	
Economic Environment	50,482	Commercial Improvement Program
	4,702,788	Industrial Development
	<u>4,753,270</u>	
<b><u>Assigned To:</u></b>		
Public Safety	69,630	Police operations and special projects
	6,235	Fire Department operations
	<u>75,865</u>	
Transportation	514,518	Construction of streets infrastructure
	716,055	Maintenance of streets and rail infrastructure
	<u>1,230,573</u>	



**OTHER POST EMPLOYMENT BENEFITS**

<b>SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS</b> <b>POST EMPLOYMENT HEALTHCARE PLAN</b> <b>FOR THE YEAR ENDED DECEMBER 31, 2019</b> <b>LAST 10 FISCAL YEARS*</b>		
	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 10,859,388</b>	<b>\$ 10,218,385</b>
Service Cost	327,477	317,939
Interest	394,657	412,174
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience	185,689	(718,605)
Changes of Assumptions	(394,411)	1,717,693
Benefit Payments	(1,030,936)	(811,722)
Implicit Rate Subsidy Fulfilled	(294,447)	(276,476)
<b>Total OPEB Liability - Ending</b>	<b>\$ 10,047,417</b>	<b>\$ 10,859,388</b>
<b>Covered payroll**</b>	<b>\$ 10,111,177</b>	<b>\$ 9,816,677</b>
<b>City's Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>99.37%</b>	<b>110.62%</b>
<b>Notes to Schedule:</b>		
* Until a full 10 year trend is compiled, only information for those years available is presented		
** Covered payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, par. 246)		
*** No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75		

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

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

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**PENSION PLANS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - FIRE PENSION						
	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	59,872	63,404	87,993	92,704	98,363	103,590
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(13,348)	112,317	(208,186)	-	(4,485)	-
Changes of assumptions	121,000	173,506	(58,767)	-	-	-
Benefit payments, included refunds of employee contributions	(135,147)	(180,048)	(171,820)	(202,024)	(211,338)	(205,715)
<b>Net change in total pension liability</b>	<b>32,377</b>	<b>169,179</b>	<b>(350,780)</b>	<b>(109,320)</b>	<b>(117,460)</b>	<b>(102,125)</b>
<b>Total pension liability - beginning</b>	<b>1,664,161</b>	<b>1,494,982</b>	<b>1,845,762</b>	<b>1,955,082</b>	<b>2,072,542</b>	<b>2,174,667</b>
<b>Total pension liability - ending</b>	<b>\$ 1,696,538</b>	<b>\$ 1,664,161</b>	<b>\$ 1,494,982</b>	<b>\$ 1,845,762</b>	<b>\$ 1,955,082</b>	<b>\$ 2,072,542</b>
<b>Covered payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>City's net pension liability as a percentage of covered payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Notes to Schedule</b>						
The City adopted GASB 73 for the fiscal year ending December 31, 2018, but adopted GASB 68 for the fiscal year ended December 31, 2014.						
Until a full 10 year trend is compiled, only information for those years available is presented.						

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION						
	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	112,867	116,570	133,349	136,198	139,988	143,633
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(41,736)	1,304,898	(658,565)	-	(21,223)	-
Changes of assumptions	639,350	(79,437)	(69,702)	-	-	-
Benefit payments, included refunds of employee contributions	(240,122)	(190,512)	(187,470)	(198,894)	(205,925)	(211,450)
<b>Net change in total pension liability</b>	<b>470,359</b>	<b>1,151,519</b>	<b>(782,388)</b>	<b>(62,696)</b>	<b>(87,160)</b>	<b>(67,817)</b>
<b>Total pension liability - beginning</b>	<b>3,129,835</b>	<b>1,978,316</b>	<b>2,760,704</b>	<b>2,823,401</b>	<b>2,910,561</b>	<b>2,978,378</b>
<b>Total pension liability - ending</b>	<b>\$ 3,600,194</b>	<b>\$ 3,129,835</b>	<b>\$ 1,978,316</b>	<b>\$ 2,760,705</b>	<b>\$ 2,823,401</b>	<b>\$ 2,910,561</b>
<b>Covered payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>City's net pension liability as a percentage of covered payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Notes to Schedule</b>						
The City adopted GASB 73 for the fiscal year ending December 31, 2018, but adopted GASB 68 for the fiscal year ended December 31, 2014.						
Until a full 10 year trend is compiled, only information for those years available is presented.						

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

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LEOFF RETIREMENT SYSTEM PLAN 1 As of June 30, 2019 Last 10 Fiscal Years*						
	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.129806%	0.129145%	0.128052%	0.126016%	0.125802%	0.125288%
Employer's proportionate share of the net pension liability	(2,565,760)	(2,344,630)	(1,942,831)	(1,298,325)	(1,516,192)	(1,519,482)
TOTAL	(2,565,760)	(2,344,630)	(1,942,831)	(1,298,325)	(1,516,192)	(1,519,482)
Covered payroll**	-	-	-	31,473	75,470	91,992
Employer's proportionate share of the net pension liability as a percentage of covered payroll	N/A	N/A	N/A	-4125.19%	-2008.99%	-1651.75%
Plan fiduciary net position as a percentage of the total pension liability	148.78%	144.42%	135.96%	123.74%	127.36%	126.91%
<b>Notes to Schedule:</b>						
* Presenting information only for those years for which information is available up to 10 years						
** Covered payroll is the payroll on which contributions to a pension plan are based						

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY						
LEOFF RETIREMENT SYSTEM PLAN 2						
As of June 30, 2019						
Last 10 Fiscal Years*						
	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.432599%	0.442011%	0.439701%	0.450464%	0.411289%	0.417449%
Employer's proportionate share of the net pension liability	(10,021,991)	(8,973,787)	(6,101,625)	(2,620,034)	(4,227,228)	(5,539,728)
State's proportionate share of net pension liability (asset) associated with employer	(10,021,991)	(8,973,787)	(6,101,625)	(2,620,034)	(4,227,228)	(5,539,728)
TOTAL	-	-	-	-	-	-
Covered payroll**	14,984,568	14,593,802	13,754,625	13,646,421	11,937,074	11,617,276
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-66.88%	-61.49%	-44.36%	-19.20%	-35.41%	-47.69%
Plan fiduciary net position as a percentage of the total pension liability	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1											
As of December 31, 2019											
Last 10 Fiscal Years											
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Statutorily or contractually required contributions	\$ -	\$ -	\$ 35,334	\$ 48,941	\$ 67,823	\$ 78,321	\$ 96,187	\$ 91,766	\$ 61,134	\$ 186,251	
Contributions in relation to the statutorily or contractually required contributions*	-	-	(27,661)	(25,145)	(38,503)	(44,388)	(46,395)	(60,891)	(61,134)	(48,033)	
Contribution deficiency (excess)	-	-	7,673	23,796	29,320	33,933	49,792	30,875	-	138,218	
Covered payroll**	\$ 29,570,482	\$ 28,284,425	\$ 26,948,293	\$ 25,347,210	\$ 25,380,922	\$ 25,441,133	\$ 24,851,454	\$ 24,625,683	\$ 24,971,186	\$ 24,459,033	
Contributions as a percentage of covered payroll	0.00%	0.00%	0.13%	0.19%	0.27%	0.31%	0.39%	0.37%	0.24%	0.76%	

**Notes to Schedule**  
Contributions include the 0.018% administrative cost of plan  
Excess contributions in PERS 1 are due to leave cashouts  
\* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund PERS 1 UAAL  
\*\* Covered payroll is the payroll on which contributions to a pension plan are based

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2 & 3											
As of December 31, 2019											
Last 10 Fiscal Years*											
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Statutorily or contractually required contributions	\$ 3,797,492	\$ 3,603,384	\$ 3,183,939	\$ 2,808,191	\$ 2,536,893	\$ 2,302,039	\$ 1,971,093	\$ 1,708,167	\$ 1,475,627	\$ 1,246,700	
Contributions in relation to the statutorily or contractually required contributions	(3,797,492)	(3,603,384)	(3,183,939)	(2,808,191)	(2,536,893)	(2,302,039)	(1,971,093)	(1,708,167)	(1,475,627)	(1,246,700)	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	
Covered payroll*	\$ 29,570,482	\$ 28,284,425	\$ 26,717,377	\$ 25,122,302	\$ 24,998,494	\$ 24,961,610	\$ 24,272,814	\$ 23,771,033	\$ 23,963,390	\$ 23,534,293	
Contributions as a percentage of covered payroll	12.84%	12.74%	11.92%	11.18%	10.15%	9.22%	8.12%	7.19%	6.16%	5.30%	

**Notes to Schedule**  
Contributions include the 0.018% administrative cost of plan  
Excess contributions in PERS 2 are due to interruptive military service  
\* Covered payroll is the payroll on which contributions to a pension plan are based

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 1											
As of December 31, 2019											
Last 10 Fiscal Years*											
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ 2	\$ 751	\$ 173	\$ 152	\$ 128	\$ 492	\$ 565	
Contributions in relation to the statutorily or contractually required contributions	-	-	-	(2)	(104)	(173)	(152)	(128)	(492)	(565)	
Contribution deficiency (excess)	-	-	-	-	647	-	-	-	-	-	
Covered payroll*	\$ -	\$ -	\$ -	\$ 1,288	\$ 55,906	\$ 95,945	\$ 91,538	\$ 79,696	\$ 308,879	\$ 353,511	
Contributions as a percentage of covered payroll	N/A	N/A	N/A	0.16%	1.34%	0.18%	0.17%	0.16%	0.16%	0.16%	

**Notes to Schedule**  
Contributions include the 0.018% administrative cost of plan  
FY 2015 \$647 excess contribution is due to corrections for 1980 for time that was not reported for employee  
\* Covered payroll is the payroll on which contributions to a pension plan are based

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SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 2											
As of December 31, 2019											
Last 10 Fiscal Years*											
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Statutorily or contractually required contributions	\$ 821,637	\$ 801,359	\$ 761,005	\$ 701,584	\$ 664,997	\$ 636,501	\$ 604,541	\$ 588,359	\$ 559,758	\$ 542,273	
Contributions in relation to the statutorily or contractually required contributions	(821,637)	(801,359)	(761,005)	(701,584)	(664,997)	(636,501)	(603,710)	(588,359)	(559,452)	(541,547)	
Contribution deficiency (excess)	-	-	-	-	-	-	831	-	306	726	
Covered payroll*	\$ 15,151,138	\$ 14,648,249	\$ 14,266,819	\$ 13,414,604	\$ 12,715,703	\$ 12,167,241	\$ 11,539,641	\$ 11,231,020	\$ 10,694,925	\$ 10,348,716	
Contributions as a percentage of covered payroll	5.42%	5.47%	5.33%	5.23%	5.23%	5.23%	5.24%	5.24%	5.23%	5.24%	
<b>Notes to Schedule</b>											
Contributions include the 0.018% administrative cost of plan											
Excess contributions in PERS 1 are due to leave cashouts											
* Covered payroll is the payroll on which contributions to a pension plan are based											

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
<b>CDBG - Entitlement Grants Cluster</b>							
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-53-0002	-	45,792	45,792	- 1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-53-0002	-	26,915	26,915	- 1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53-0002	-	64,413	64,413	- 1,2,3,4,
<b>Total CDBG - Entitlement Grants Cluster:</b>				-	<b>137,120</b>	<b>137,120</b>	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-15-DC-53- 0202	-	8,130	8,130	8,130 1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-16-DC-53- 0202	-	21,874	21,874	21,874 1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-17-DC-53- 0202	-	69,359	69,359	69,359 1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-18-DC-53- 0202	-	21,892	21,892	21,892 1,2,3,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-19-DC-53- 0202	-	12,081	12,081	12,081 1,2,3,4

The accompanying notes are an integral part of this schedule.

			Total CFDA 14.239:	-	133,336	133,336	133,336
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	BPV Program	-	12,328	12,328	-
							1,4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Association of Sheriffs and Police Chiefs)	Domestic Trafficking Victim Program	16.834	Pilot via Criminal Justice Training Commission	95,000	-	95,000	-
							1,4
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Association of Sheriffs and Police Chiefs)	Domestic Trafficking Victim Program	16.834	Pilot via Criminal Justice Training Commission	2,750	-	2,750	-
							1,4
			Total CFDA 16.834:	97,750	-	97,750	-
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	WA0030200	-	3,147	3,147	-
							1,4
U.S. Department of Justice (via U.S. Marshals)	U.S. Marshals OT Reimbursement - Fugitive Task Force	16.U01	CRA-FY 2017 State and Local OT	1,577	-	1,577	-
							1,4
U.S. Department of Justice (via Federal Bureau of Investigation)	Federal Bureau of Investigation - Tri-City Violent Crime Task Force (Gang)	16.U02	CRA-FY 2017 State and Local OT	4,533	-	4,533	-
							1,4
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	STPUL-TAP- 3504(002), LA- 9625	51,765	-	51,765	-
							1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	STPUL- 3459(001), LA- 8252	14,867	-	14,867	-
							1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Dept. of Transportation)	Highway Planning and Construction	20.205	NHPP-3475(007), LA-9482	3,434,436	-	3,434,436	-
							1,2,4
Total Highway Planning and Construction Cluster:				3,501,068	-	3,501,068	-

The accompanying notes are an integral part of this schedule.



FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	Highway Training and Education	20.215	Rapid Flashing Beacons (Vndr Contract 3126)	14,391	-	14,391	-	1,2,4
<b>Highway Safety Cluster</b>								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Intersection & Crosswalk Emphasis	3,069	-	3,069	-	1,2,4
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	Impaired Driving Patrols - Flex Patrols	3,900	-	3,900	-	1,2,4
<b>Total CFDA 20.600:</b>				<b>6,969</b>	-	<b>6,969</b>	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	Impaired Driving Patrols - DUI	5,954	-	5,954	-	1,2,4
<b>Total Highway Safety Cluster:</b>				<b>12,913</b>	-	<b>12,913</b>	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Dept of Ecology)	Environmental Remediation and Waste Processing and Disposal	81.104	C9900100 Amendment # 22	46,220	-	46,220	-	1,2,4
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Dept of Ecology)	Environmental Remediation and Waste Processing and Disposal	81.104	C9900100 Amendment # 23	44,969	-	44,969	-	1,2,4
<b>Total CFDA 81.104:</b>				<b>91,189</b>	-	<b>91,189</b>	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Military Department)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E20-196	34,566	-	34,566	-	1,2,4,5
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via Washington State Military Department)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E19-094	113,140	-	113,140	-	1,2,4,5

The accompanying notes are an integral part of this schedule.

FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	97.039	Hazard Mitigation Grant	D15-068	8,219	-	147,706	-	8,219	1,2,4,5
Total CFDA 81.214:				147,706	-	147,706	-		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	97.042	Emergency Management Performance Grants	E19-064	77,944	-	77,944	-	77,944	1,2,4,5
Total CFDA 97.042:				109,131	-	109,131	-		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	97.047	Pre-Disaster Mitigation	E18-202	211,044	-	211,044	-	211,044	1,2,4
Total CFDA 97.047:				211,044	-	211,044	-		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	97.067	Homeland Security Grant Program	E20-067	677	-	677	-	677	1,2,4,5
Total CFDA 97.067:				677	-	677	-		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	97.067	Homeland Security Grant Program	E18-144	19,884	-	19,884	-	19,884	1,2,4,5
Total CFDA 97.067:				19,884	-	19,884	-		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	97.067	Homeland Security Grant Program	E19-106	87,154	-	87,154	-	87,154	1,2,4,5
Total CFDA 97.067:				87,154	-	87,154	-		
Total Federal Awards Expended:				4,307,246	285,931	4,593,177	107,715	249,270	

The accompanying notes are an integral part of this schedule.

CITY OF RICHLAND, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – REVOLVING LOAN - PROGRAM INCOME

The City has a revolving loan program for low income housing renovation within its CDBG program. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$0. These funds were disbursed from the revolving loan program income. The City uses the deductive method of reporting, so the expenses reported on the SEFA do not include these disbursements. The amount of principal and interest received in loan repayments for the year was \$106,834. Of this amount, \$19,081 will continue to build the revolving loan fund. The remaining \$87,753 were repayments from the City's defunct CDBG down payment assistance program. These funds were reported as program income and applied to other eligible project costs.

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the CDBG program are net of \$87,753 in program income.

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

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the HOME program are net of \$104,052 in program income. New loans are recorded as expenditures and tracked as a receivable in the HOME Fund.

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – BENTON COUNTY EMERGENCY SERVICES (BCES) GRANTS

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

## 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.

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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>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>