



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Richland

For the period January 1, 2020 through December 31, 2020

Published September 27, 2021

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

September 27, 2021

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Richland January 1, 2020 through December 31, 2020

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 each of its major federal programs.

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund
66.468	Drinking Water State Revolving Fund Cluster – Capitalization Grants for Drinking Water State Revolving Funds

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

City of Richland January 1, 2020 through December 31, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2021.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2020, the City implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

As discussed in Note 13, to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. 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

August 30, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Richland January 1, 2020 through December 31, 2020

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, 2020. 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, 2020.

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

Pat McCarthy, State Auditor

Olympia, WA

September 16, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Richland **January 1, 2020 through December 31, 2020**

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 15.

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.

Opinions

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, 2020, 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 1 to the financial statements, in 2020, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 13, to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. 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 15 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 August 30, 2021 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.



Pat McCarthy, State Auditor

Olympia, WA

August 30, 2021

FINANCIAL SECTION

City of Richland January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation of Balance Sheet to the Statement of Net Position – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2020

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities – 2020

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and
Actual – General Fund – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2020

Statement of Cash Flows – Proprietary Funds – 2020

Statement of Net Position – Custodial Funds – 2020

Statement of Changes in Fiduciary Net Position – Custodial Funds – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios Post Employment
Healthcare Plan – 2020

Schedule of Changes in Total OPEB Liability and Related Ratios LEOFF 1 – Firefighters
and Police OPEB – 2020

Schedule of Changes in Total Pension Liability and Related Ratios – Fire and Police
OPEB – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1,
LEOFF 2 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1, LEOFF 2 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

INTRODUCTION

The management of the City of Richland is pleased to present this discussion and analysis of the 2020 Annual Comprehensive Financial Report. The intent is to introduce the reader to the City's operations, explain how they are presented in this report, highlight significant financial activities during the period and provide a look at what is anticipated in the future for the City. This discussion and analysis should be considered in conjunction with the Letter of Transmittal as well as the other components of the report.

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

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

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

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



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

For efficiency in reporting, certain funds are reported individually as "Major Funds" while the remaining activities are reported in aggregate. A fund is considered to be major when its assets, liabilities, revenues, or expenses are at least ten percent of the aggregated total for all governmental funds; and, at least five percent of the aggregated total for the City as a whole. A fund can also be identified as major if it is considered particularly important, even if it does not meet 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, 2020, 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 provide information on the amounts and activities presented in the summarized Government-Wide Statements, compared to the prior year, as well as significant events and transactions that impacted the City's financial activity during 2020

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

Condensed Statement of Net Position

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2020	2019	2020	2019	2020	2019
Current & other assets	\$ 120,594,371	\$ 107,861,805	\$ 58,126,170	\$ 53,107,929	\$ 178,720,541	\$ 160,969,734
Restricted assets			35,107,797	38,694,306	35,107,797	38,694,306
Capital assets, net	192,320,464	181,725,095	310,966,261	298,216,130	503,286,725	479,941,225
Total assets	312,914,835	289,586,900	404,200,228	390,018,365	717,115,063	679,605,265
Deferred outflows of resources	4,522,684	3,916,601	2,809,529	2,633,338	7,332,213	6,549,939
Current liabilities	15,262,424	13,436,543	19,078,157	19,600,222	34,340,581	33,036,765
Long-term liabilities outstanding	69,813,241	81,244,974	123,093,843	126,587,256	192,907,084	207,832,230
Total liabilities	85,075,665	94,681,517	142,172,000	146,187,478	227,247,665	240,868,995
Deferred inflows of resources	6,196,441	9,083,672	2,149,627	3,854,104	8,346,068	12,937,776
Net Position:						
Net investment in capital assets	152,919,749	137,734,724	203,775,917	193,750,024	356,695,666	331,484,748
Restricted	39,211,657	34,155,664	23,139,958	20,617,643	62,351,615	54,773,307
Unrestricted	34,034,006	17,847,924	35,772,255	28,242,454	69,806,261	46,090,378
Total net position	\$ 226,165,412	\$ 189,738,312	\$ 262,688,130	\$ 242,610,121	\$ 488,553,542	\$ 432,348,433

Amounts may not foot exactly due to rounding



City of Richland, Washington
Annual Comprehensive Financial Report
Management's Discussion and Analysis
For the Year Ended December 31, 2020

Condensed Statement of Activities

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2020	2019	2020	2019	2020	2019
REVENUES:						
Program Revenues:						
Charges for services	\$ 20,910,599	\$ 21,944,464	\$ 120,241,343	\$ 122,660,816	\$ 141,151,942	\$ 144,605,280
Operating grants & contributions	4,478,358	1,604,826	1,160,728	83,577	5,639,086	1,688,403
Capital grants & contributions	8,762,071	18,633,098	5,921,686	7,027,369	14,683,757	25,660,467
General Revenues:						
Property taxes	19,278,175	18,939,382			19,278,175	18,939,382
Other taxes	38,197,177	41,982,906			38,197,177	41,982,906
Other	3,702,709	9,653,687	1,345,778	2,204,732	5,048,487	11,858,419
Total revenues	95,329,089	112,758,363	128,669,535	131,976,494	223,998,624	244,734,857
EXPENSES:						
Judicial	675,038	599,116			675,038	599,116
General government	16,312,009	15,831,173			16,312,009	15,831,173
Public safety	16,625,311	29,194,924			16,625,311	29,194,924
Transportation	7,313,605	7,135,385			7,313,605	7,135,385
Health & human services	16,285	15,748			16,285	15,748
Economic environment	5,940,607	5,109,855			5,940,607	5,109,855
Culture & recreation	8,305,056	8,613,042			8,305,056	8,613,042
Interest on long-term debt	1,497,678	1,427,307			1,497,678	1,427,307
Electric			70,718,531	72,855,019	70,718,531	72,855,019
Water			12,540,030	12,332,021	12,540,030	12,332,021
Wastewater			8,826,423	8,596,204	8,826,423	8,596,204
Solid waste			9,743,184	8,952,933	9,743,184	8,952,933
Stormwater			1,719,618	1,419,133	1,719,618	1,419,133
Golf course			1,709,015	1,815,612	1,709,015	1,815,612
Medical services			4,715,737	4,571,069	4,715,737	4,571,069
Broadband			251,078	270,228	251,078	270,228
Total expenses	56,685,589	67,926,550	110,223,616	110,812,219	166,909,205	178,738,769
Excess/(deficiency) before transfers	38,643,500	44,831,813	18,445,919	21,164,275	57,089,419	65,996,088
Transfers	(1,632,088)	(1,129,657)	1,632,088	1,129,657		
Change in net position	37,011,412	43,702,156	20,078,007	22,293,932	57,089,419	65,996,088
Net position, January 1	189,738,309	145,643,175	242,610,120	220,187,529	432,348,429	365,830,704
Prior period adjustments	(584,308)	392,979		128,659	(584,308)	521,638
Net position, December 31	\$ 226,165,413	\$ 189,738,310	\$ 262,688,127	\$ 242,610,120	\$ 488,853,540	\$ 432,348,430

Amounts may not foot exactly due to rounding

FINANCIAL RESULTS

Government-Wide Activities

Overall, the City's 2020 activities resulted in a \$57.1 million increase in net position before applying prior period adjustments. Adjustments to beginning net position reflecting prior period activity resulted in a decrease of \$584,308, for a total net increase in net position of \$56.5 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 \$66.0 million in 2019 before prior period adjustments. The continued growth from one year to the next reflects the City's long-term approach to the economic environment within which the City operates. Of the total net position at December 31, 2020, \$69.8 million is unrestricted and available to finance future activities. Looking deeper into the Government-Wide Statements, governmental activities' net position increased \$37.0 million before prior period adjustments, while net position increased \$20.0 million as a result of business-type activities.

Total revenues on the Government-Wide Statement of Activities were \$20.7 million lower than the prior year, largely a result of the COVID-19 pandemic. Governmental revenues were \$17.4 million lower than the prior year, while business-type activity revenues were also \$3.3 million lower. In the Business-type activities, charges for services decreased \$2.4 million and capital grants and contributions were \$1.1 million lower in 2020. A more in-depth discussion of major business-type funds occurs later in this discussion and analysis.

Governmental activities' charges for services decreased \$1.0 million over the previous year. Of this decrease, \$519,043 came from a significant reduction in cultural and recreation programs including library fees, swimming pool fees, fitness classes, facilities rentals, and concessions. Additionally, a decrease of \$886,227 for building permits, land sale commissions, and rental incentives make up the rest of the decrease with minor increases and decreases in other charges for services.

Governmental activities' operating grant and contribution revenues increased \$2.8 million from the prior year. Increases include \$512,672 for FEMA assistance to Firefighters, \$1.9 million in COVID-19 assistance, and increases in CDBG and Home Grant assistance.

Governmental activities' capital grants and contributions decreased \$9.8 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 \$7.1 million of this decrease. Approximately \$3.2 million decrease of Department of Transportation funding vs prior year. \$3.3 million of Transportation Improvement Board (TIB) in 2019 not granted in 2020, and an additional \$565,705 of private source and county funding. 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) in 2019, resulting in a net decrease of \$2.8 million in public safety funding. 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 decreased by net \$3.4 million over the prior year as a result of COVID-19. Nevertheless, new construction remained steady, resulting in an increased tax base and a \$338,793 increase in property tax revenues. Other taxes, including sales tax revenue (decrease of \$567,903), hotel/motel lodging tax (decrease of \$574,584), utility occupation tax (decrease of \$599,147), all declined as retail sales, travel, and collections on utilities all were impacted undesirably during the pandemic. Real Estate Excise Tax decreased \$1.2 million, largely due to one larger than usual transaction involving property in the Industrial Park included in the prior year's increase. Minor increases and decreases in other taxes occurred, rounding out the rest of the decrease in tax revenues.



*...the City's 2020
activities resulted in a
\$57.4 million increase in
net position ...*



Other general revenues include investment earnings, gains on disposition of assets, and other miscellaneous revenues. Investment earnings decreased \$511,698 with most of the cash available held in LGIP and related interest rates declining significantly beginning 2019 and throughout 2020. Gain on sale of capital land and land held for resale in 2020 was \$2.9 million lower 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. Miscellaneous revenues decreased approximately \$2.5 million from 2019 to 2020. In both years, miscellaneous revenues consisted primarily of infrastructure contributed to the City by developers.

In Governmental expenses, salaries and benefits are the most significant expense, aside from wholesale power purchases. On the City-wide Statement of Activities, Governmental-type activity expenses were lower from the prior year, showing a \$11.2 million decrease, while business-type activity expenses decreased \$588,603. Looking at the Governmental activities' expenses change by functional category, we noted the following large variance in comparison with the prior year: Public safety expenses decreased by approximately \$12.5 million. While public safety ongoing expenses remained comparable year over year with a slight increase in 2020, there was a \$14.4 million adjustment to public safety expenses to eliminate expenditures related to pension liabilities incurred in prior years. This large decrease in the OPEB liability for fire and police pensions was a result of actuaries discovering medical costs inappropriately included long-term care costs and lower than expected claims costs due to COVID-19.

In business-type activities, electric utility expenses decreased \$2.1 million; while water utility expenses increased \$208,009; solid waste utility expenditures increased \$790,251; stormwater expenses increased \$300,485 and medical services utility expenses increased \$144,668. 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 \$226.1 million in total net position at year end, a \$36.4 million increase over the prior year. The unrestricted portion of ending net position was \$34.0 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 \$15.1 million in 2020. This balance reflects not only capital purchases, but also the effect of depreciation expense and changes to general obligation debt, which financed past and current capital outlays. Of the \$227.2 million in total city liabilities, \$41.2 million or 18.13% is governmental activities' general obligation debt (i.e. payable on the full faith and credit of the City) related to capital activities. \$8.5 million in general obligation debt is voter approved and supported by a special property tax levy, while the remaining \$32.1 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 2020. For more information on capital assets see Note 3 in the Notes to the Financial Statements.

- The final phase of resurfacing and streetscaping on George Washington Way began in 2019. The City spent nearly \$5.7 million on this project in 2020.
- 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 approximately \$1.5 million and completed design and began construction of Public Safety Response Stations 73 and 75.
- 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 sound wall and bridge footings being placed. In 2019 the bridge deck was constructed. The City spent a total of \$29.0 million on the bridge project through 2020, funded by State and Federal grants, and completed the project on time and under budget.
- Additional streets capital construction includes \$1.5 million on Clubhouse Lane extensions and roundabout, \$1.1 million on the Duportail corridor at Queensgate and Keene intersections, and \$2.5 million on the Center Parkway North – Gage to Tapteal.

Major Governmental Funds

General Fund activity resulted in a fund balance increase of \$5.9 million in 2020. In comparison, 2019 General Fund activities resulted in a \$4.6 million increase. Revenues increased by \$1.2 million or 2.0%, while expenditures increased by only \$428,693 or 0.8%. 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 decrease by \$2,070 in 2020 versus the prior year while transfers out from the General fund to other City funds decreased by \$493,724 or 11%.

Tax revenues are the primary revenue source for the General Fund. Property taxes increased by \$770,010 mainly due to new residential and commercial construction in Richland. Sales taxes were strong but decreased by \$543,692 compared to a record high prior year. Utility taxes also showed a slight decrease of \$569,145 as customer receipts were lower due to COVID-19 situation. Licenses and permits revenue slightly decreased and charges for services increased \$460,452, 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 2020 Statement of Revenues, Expenditures and Changes in Net Position were \$428,693 higher than the prior year. The increase of \$1,298,627 mainly occurred in public safety expenditures that included construction expenditures for public safety response stations 73 and 75. Salaries and benefits, the largest expenditure in the General Fund, held steady in 2020, with a slight increase over the prior year with offsetting reductions in the General government, Culture and recreation functions.



With the many challenges facing the City's primary operating fund, great care is taken to monitor its activities relative to the annual budget approved by the City Council. As described in Note 1 in the Notes to the Financial Statements, this fund is budgeted in accordance with Washington State law and City policies, such that revisions to the budget are carefully administered. A Schedule of Revenues, Expenditures and Changes in Net Position "Budget and Actual" is provided within the Annual Comprehensive Financial Report, to present comparisons between actual revenues and expenditures, and the original and amended final budgets. Overall, revenues and expenditures were 106.8% and 86.2% of their respective adjusted budgets. The largest budget-actual dollar variance in revenues was in taxes, at \$2.65 million more than the adjusted budget, a 6.2% variance. The next largest budget-actual dollar variance in revenues was intergovernmental, at \$1.48 million more than budget, a 60.25% variance, due to receipt of unbudgeted federal assistance, FEMA for firefighters and COVID-19 (CARES) funds.

The largest budget-actual dollar variance in expenditures, by function, was in general government operating expenditures, which came in \$4.1 million below the adjusted budget. This was primarily due to budgeted expenditures for the ERP project in the Information Technology department (\$1.3 million) and other IT related professional services and software (\$724,144) 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 \$1.9 million below budget. This was due to projects that were budgeted but not completed during the year including \$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 2020:

- Funds in the amount of \$96,668 awarded to City of Richland from the Seattle Police Department and the U.S. Government for collaborative work in the Southeast Regional Internet Crimes Against Children (SERICAC). Funds will be used to further the work done by Richland Police Department.
- An additional \$178,352 was appropriated for replacement radios for Richland Fire Department.
- Budget carryovers for prior year uncompleted projects and encumbrances totaled \$1,746,480.



Streets Construction Fund activities resulted in a fund balance increase of \$934,021 in 2020. By comparison, 2019 activities resulted in an \$82,948 decrease to fund balance. Revenues decrease by \$7.1 million or 45%, while expenditures decreased \$6.3 million or 32%. Other financing sources increased \$1.8 million or 45%.

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 \$6.5 million of the decrease in revenues over the prior year. Miscellaneous revenues in the prior year also consisted of private source contributions toward a construction project not contributed in the current year.

The largest project currently accounted for in the Streets Construction Fund is the Duportail Bridge. Capital expenditures on the project were \$3.0 million or 22% of all 2020 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 and was completed in 2020. Next largest project expenditures were for the ongoing George Washington Way resurface and streetscape project with 2020 expenditures totaling \$1.4 million or 10% of all expenses in the fund.

Business-Type Activities

Business-type activities resulted in an ending net position of \$262.7 million, reflecting an increase of \$20.0 million. Unrestricted net position increased by \$7.5 million to provide a total of \$35.8 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 80.5% of the total business-type net position.

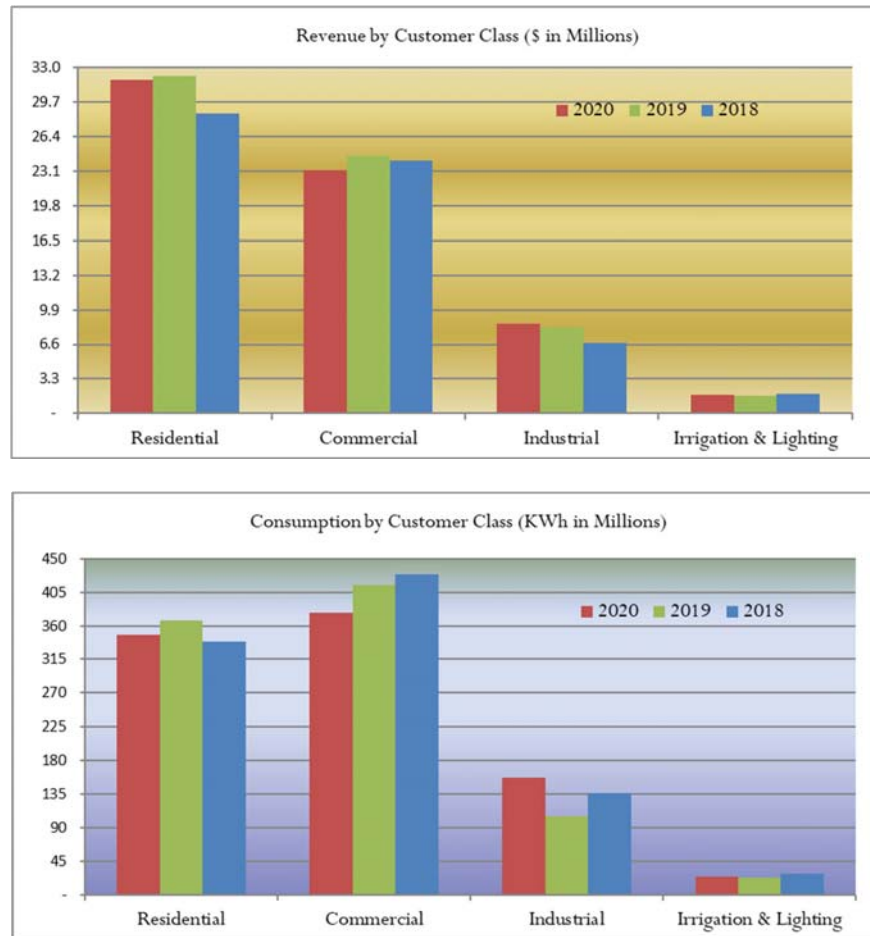
Electric Fund activities increased ending net position by \$5.0 million or 8.8% above the previous year-end balance. Annual debt repayment of \$3.0 million and depreciation of \$6.1 million were offset by the utility's \$10.9 million investment in capital. In response to forecasted growth in customer and consumption base, \$10.7 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 \$200K.

Operating revenue decreased \$1.5 million or 2.0% as a result of the COVID pandemic and inconsistencies in customer loads and weather patterns. The last system-wide rate increase went into effect on June 1, 2019 and due to BPA rate adjustments, there is no additional utility rate action planned until 2023.

System-wide energy consumption decreased 0.5% and total customer accounts increased 4.6% in 2020. When looking at energy consumption changes by customer class, residential consumption decreased by 5.1%, commercial consumption decreased by 9.1% and industrial consumption increased 47.7%. The irrigation and lighting class increased by 7.0%.

Energy consumption is largely dependent on weather conditions, particularly for residential and commercial customers. Weather was unusually mild in the winter and summer of 2020 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.

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



Operating expenses decreased \$1.7 million or 2.4% under the prior year. The decrease was focused around lower wholesale power cost, but was spread around the different activities of the utility as a result of COVID. Richland, in tandem with other regional utilities, is constantly evaluating alternatives for its future wholesale power supply. The utility is currently in the 2nd year of purchasing non-Federal power resources for new base power load and along with the base power load provide by BPA, the short-term purchased power outlook is stable. The utility had fewer conservation project requests and, based on State COVID guidance, stopped all delinquent account collection activity. Due to the unknown nature of the post COVID operating environment, the later of these resulted in a significant increase in bad debt expense this year. Operating expenses in total are continually being mitigated by cost containment measures taken during the budget development process.

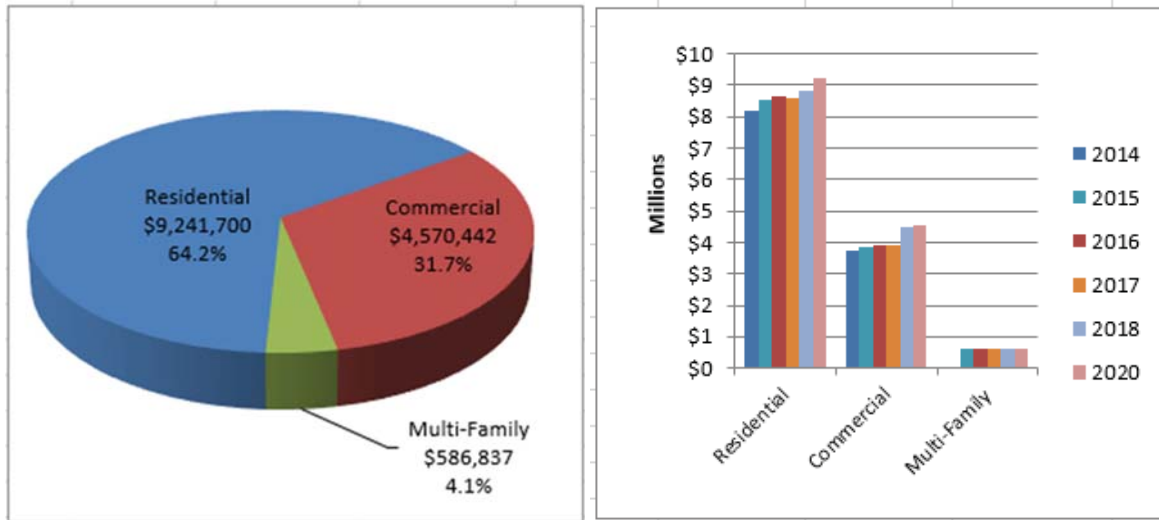
The following graph details purchased power expenses over the last five years:



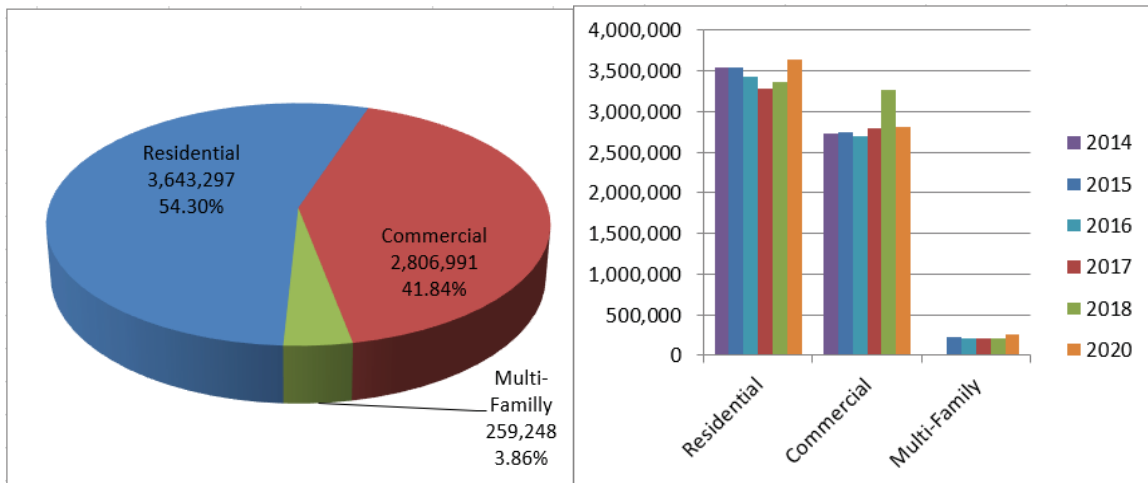
Standard & Poor's (S&P) changed the Electric Utility's credit rating on outstanding bonded debt from A+ to A with a Stable Outlook in 2019. This slight downgrade reflects S&P's updated "U.S. Municipal Retail Electric and Gas Utilities: Methodology and Assumptions" published Sept. 27, 2018. The main drivers of the rating change were fixed-charge coverage levels and a decline in unrestricted cash. Notwithstanding, maintaining a base "A" rating is a significant reflection of the utility's overall financial strength and stability. The rating also recognizes City management's willingness to maintain adequate reserves, adjust rates and acquire additional capital financing when necessary. Maintaining or improving this credit rating is a key objective in minimizing debt service expense on future revenue bond sales. The next bond issuance is scheduled for the fall of 2022.

Water Fund activities generated a net position increase of \$6.6 million in 2020. Operating income was \$4.0 million. When compared to 2019, the water utility experienced an increase in operating income of \$323,351. Operating revenues increased \$695,772 and operating expenses increased \$372,421, when compared to 2019. Investment earnings weakened by \$312,366 and interest expense decreased \$77,743. The utility recognized capital contributions of \$2.8 million in 2020. Twenty percent of these contributions were received from private sources, valued at \$572,698. 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 2019 activity, the private donations of developed capital significantly decreased by \$1.0 million. 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 2020 increased as compared to 2019 by \$264,195 or 25%. 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.

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 2020, Water fund operating expenses increased by \$372,421 when compared to 2019. Total Salaries and benefits increased approximately 6.4% or \$150,983. The cost of supplies is typically outside the control of the utility. Timing and fluctuation of chemical needs and maintenance supplies can have a volatile effect on expenses. When comparing 2020 to 2019, these costs were relatively flat with a slight decrease of \$9,566.

Other professional service expenditures are driven by events that require outside input for the utility. For example, outside consultants, repairs to equipment or payment for a license or permit. Oftentimes an event, like the failure of a piece of equipment, necessitates such expenditures. Total costs in this category decreased by \$46,533 when compared to 2019. However, the water utility uses a significant amount of electrical power at the treatment plant and pumping stations throughout the City. For 2020, an increase of \$17,682 increase of utility expenses when compared to 2019 resulted in a total of \$897,750 in utilities expense for water operations.

Tax expense increased in 2020 by \$78,216 and there was an increase of \$44,504 in the recognition of bad debt expense. An increase in revenue often has a corresponding effect on related expenditures. Additionally, collections on customer billings is uncertain with the effects of COVID-19.

Finally, depreciation expense increased in 2020 by \$12,012 over the previous year.

In 2020, the utility made the following significant investments in its capital infrastructure:

- Completed the façade replacement at the Saint Street Water Treatment Plant with project costs of \$618,366 for 2020.
- The utility completed installation of a new waterline crossing the Yakima River in 2020. The existing pipeline is vulnerable to damage during flooding and the new line is mounted on the Duportail Bridge. The project cost for 2020 was \$2,747,111.
- 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 \$1,396,082 for the year.

The capital related debt of the water and sewer utilities comprise a large portion, \$27.5 million, or 27.9% of all revenue debt and 14.5% of all City long-term borrowing. The water utility debt equals \$17.7 million, or 9.4% 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 rates.

Similar to the electric utility, the water utility is required by its bond covenants to maintain a bond reserve in lieu of bond insurance. The water utility has adhered to this requirement and restricted \$1.1 million in cash and investments on the utility's balance sheet. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in May 2017.

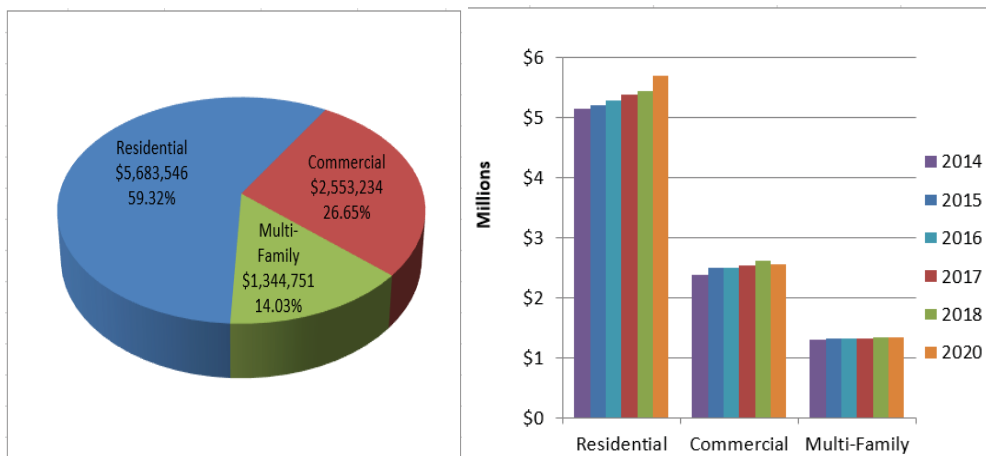
Sewer Fund activities generated a net position increase of \$2.5 million in 2020. When compared to 2019, the utility recognized a decrease in operating income of \$358,350. Total operating income was \$1.15 million for 2020. This fluctuation was the result of small growth in operating revenues of \$49,411 coupled with an increase in operating expenses of \$407,761. Investment earnings, which also contribute to the non-operating decrease in activity, were \$165,222 less in 2020 as compared to 2019. Interest expense decreased by \$64,130 in 2020 and net non-operating expenses increased \$150,752 over 2019.

In 2020, the utility recognized capital contributions of \$1.5 million. Of this addition, \$352,405 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, \$1,175,126, 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.

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 2020, residential revenue increased \$120,791, or 2.2%, over the 2019 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 2019, with a 0.82% increase, while the commercial class experienced a slight fluctuation, with a 3.6% decrease.

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



In 2020, the operating expenses of the City's sewer utility increased \$407,761 when compared to 2019. Total Salaries and benefits increased approximately 3.0% or \$65,673. The cost of supplies is typically outside the control of the utility. Timing and fluctuation of chemical needs and maintenance supplies can have a volatile effect on expenses. When comparing 2020 to 2019, these costs were significant with an increase of \$108,856 or 36.6%.

Other professional service expenditures are driven by events that require outside input for the utility. For example, outside consultants, repairs to equipment or payment for a license or permit. Oftentimes an event, like the failure of a piece of equipment, necessitates such expenditures. Total costs in this category decreased by \$170,013 when compared to 2019. However, the wastewater utility uses a significant amount of electrical power, and in 2020 saw a slight increase of \$4,438 increase of utility expenses when compared to 2019 resulted in a total of \$324,256 in utilities expense for water operations.

Tax expenses saw a minimal increase in 2020 by \$5,851 and there was a larger increase of \$30,086 in the recognition of bad debt expense. An increase in revenue often has a corresponding effect on related expenditures. Additionally, collections on customer billings is uncertain with the effects of COVID-19. Finally, depreciation expense increased in 2020 by \$68,905 from the previous year.

In 2020, the utility made several investments in its capital infrastructure:

- Construction continues on the Collection System renewal and replacement project. In 2020 an additional \$40,030 was invested toward this project totaling \$1.4 million since inception.
- Construction continued in effort to rehabilitate the influent building and provide a new mechanical fine screen. In 2020 \$22,757 was invested toward this project totaling \$3,011,764 since inception.
- The utility remains focused on improving its Wastewater Treatment Facility. The utility has planned annual improvements to eliminate downtime and ensure effective wastewater treatment. During 2020, the total spending on these capital improvements was \$1,201,882.

The sewer utility capital debt equals \$9.7 million, or 5.0% 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 \$669,420 in a bond reserve account. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in May 2017.

ECONOMIC OUTLOOK

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

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the COVID-19 virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were 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 as a result of the COVID-19 pandemic. The length of time the Governor's measures will remain in place, and the full extent of the financial impact on the City is unknown at this time.

While the City did experience some reductions in revenue, the effect of the shutdowns was not as severe as originally projected. However, past due customer balances in the utilities have climbed significantly due to the Governor's prohibition on service disconnection for non-payment.



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 extension of Clubhouse Lane, will open up opportunities for new development in the Horn Rapids area. Columbia Point and South Richland continue to see both office and commercial construction and development. The City has increased focus on pavement preservation programs going forward, especially with the dedicated funds from car tab fees.

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 be completed in the fall of 2021.

Private 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 opening in the spring of 2021. 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 opened 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
Annual Comprehensive Financial Report
Statement of Net Position
December 31, 2020

	Primary Government			Component Unit
	Governmental	Business-type		Richland Public
	Activities	Activities	Total	Facilities District
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 49,469,997	\$ 18,179,325	\$ 67,649,322	\$ 589,324
Deposits with third parties	520,585	11,575	532,160	-
Investments	33,110,676	24,922,311	58,032,987	-
Taxes	3,963,781	-	3,963,781	100,262
Customer accounts, net	913,830	10,676,911	11,590,741	6,650
Due from other governments	1,466,422	947,382	2,413,804	-
Notes and contracts	1,952,726	150,000	2,102,726	7,686
Prepaid items	237,663	343,436	581,099	31,513
Inventory	124,389	4,563,177	4,687,566	-
Special assessments	9,179	25,961	35,140	-
Internal balances	2,084,496	(2,084,496)	-	-
Total current assets	93,853,744	57,735,582	151,589,326	735,435
Noncurrent assets:				
Cash and cash equivalents	-	22,361,572	22,361,572	383,160
Restricted investments	-	11,392,155	11,392,155	-
Investment in joint ventures	2,350,996	-	2,350,996	-
Land held for resale	15,165,258	-	15,165,258	-
Special assessments	20,402	167,205	187,607	-
Net pension asset	9,203,971	1,577,452	10,781,423	-
Land	8,001,359	8,823,153	16,824,512	-
Depreciable assets (net)	55,508,171	41,226,469	96,734,640	5,977,576
Infrastructure (net)	115,249,796	255,183,135	370,432,931	1,960,296
Construction in progress	13,561,138	5,733,504	19,294,642	-
Total noncurrent assets	219,061,091	346,464,645	565,525,736	8,321,032
Total assets	312,914,835	404,200,227	717,115,062	9,056,467
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - amount on debt refunding	266,691	686,973	953,664	39,471
Deferred outflow - pension	3,418,060	1,881,655	5,299,715	-
Deferred outflow - OPEB	837,933	240,901	1,078,834	-
Total deferred outflows of resources	4,522,684	2,809,529	7,332,213	39,471
Total assets and deferred outflows of resources	317,437,519	407,009,756	724,447,275	9,095,938

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
December 31, 2020

	Primary Government			Component Unit
	Governmental	Business-type		Richland Public
	Activities	Activities	Total	Facilities District
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	6,169,582	8,209,848	14,379,430	21,154
Payable to other governments	129,037	459,150	588,187	-
Deposits payable	9,011	925,520	934,531	6,361
Claims and judgments	2,993,657	-	2,993,657	-
Leases payable	-	242,369	242,369	-
Compensated absences	1,992,046	1,194,692	3,186,738	15,702
Notes and contracts payable	92,994	979,131	1,072,125	-
General obligation bonds payable	2,645,000	200,000	2,845,000	355,000
Revenue bonds payable	-	6,670,000	6,670,000	-
Total OPEB liability	1,231,097	197,447	1,428,544	-
Total current liabilities	15,262,424	19,078,157	34,340,581	398,217
Noncurrent liabilities:				
Leases payable	-	778,141	778,141	-
Compensated absences	1,992,046	1,194,692	3,186,738	-
Notes and contracts payable	433,030	7,416,516	7,849,546	-
General obligation bonds payable	42,448,583	5,049,771	47,498,354	3,554,950
Revenue bonds payable	-	92,612,068	92,612,068	-
Unearned revenue	26,600	1,294,718	1,321,318	47,436
Net pension liability	10,016,881	5,024,495	15,041,376	-
Total OPEB liability	14,896,101	1,883,178	16,779,279	-
Landfill closure liability	-	7,840,264	7,840,264	-
Total noncurrent liabilities	69,813,241	123,093,843	192,907,084	3,602,386
Total liabilities	85,075,665	142,172,000	227,247,665	4,000,603
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - transfer of service concession arrangement capital assets	2,229,800	-	2,229,800	-
Deferred inflow - pension	3,122,609	1,903,236	5,025,845	-
Deferred inflow - OPEB	837,658	240,823	1,078,481	-
Deferred inflow - amount on debt refunding	6,374	5,568	11,942	-
Total deferred inflows of resources	6,196,441	2,149,627	8,346,068	-
Total liabilities and deferred inflows of resources	91,272,106	144,321,627	235,593,733	4,000,603
NET POSITION				
Net investment in capital assets	152,919,749	203,775,917	356,695,666	4,067,393
Restricted for:				
Capital improvements	14,492,645	12,518,323	27,010,968	-
Debt service	354,233	8,929,162	9,283,395	672,400
Economic environment	21,331,769	-	21,331,769	-
Other purposes	1,376,126	-	1,376,126	-
Pensions	-	1,692,473	1,692,473	-
Public safety	1,656,884	-	1,656,884	-
Unrestricted	34,034,006	35,772,255	69,806,261	355,542
Total net position	\$ 226,165,412	\$ 262,688,130	\$ 488,853,542	\$ 5,095,335

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					Component Unit Richland Public Facilities District	
	Expenses	Program Revenues		Primary Government			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Primary government:							
Governmental activities:							
Judicial	\$ 675,038	\$ 420,992	\$ -	\$ -	\$ (254,046)	\$ -	
General government	16,312,009	9,306,763	512,672	-	(6,492,574)	-	
Public safety	16,625,311	5,864,076	2,211,487	437,211	(8,112,537)	-	
Transportation	7,313,605	967,665	5,667	8,324,860	1,984,587	-	
Health and human services	16,285	17,112	456,333	-	457,160	-	
Economic environment	5,940,607	3,562,126	1,281,199	-	(1,097,282)	-	
Culture and recreation	8,305,056	771,865	11,000	-	(7,522,191)	-	
Interest on long-term debt	1,497,678	-	-	-	(1,497,678)	-	
Total governmental activities	56,685,589	20,910,599	4,478,358	8,762,071	(22,534,561)	-	
Business-type activities:							
Electric Utility Fund	70,718,531	73,997,549	519,127	1,199,067	4,997,212	-	
Water Utility Fund	12,540,030	16,166,066	69,936	2,825,273	6,521,245	-	
Wastewater Utility Fund	8,826,423	9,753,196	23,242	1,527,531	2,477,546	-	
Solid Waste Utility Fund	9,743,184	10,598,356	20,835	-	876,007	-	
Stormwater Utility Fund	1,719,618	1,947,580	127,827	369,815	725,604	-	
Golf Course Fund	1,709,015	1,689,295	-	-	(19,720)	-	
Medical Services Fund	4,715,737	5,759,418	399,761	-	1,443,442	-	
Broadband Fund	251,078	329,883	-	-	78,805	-	
Total business-type activities	110,223,616	120,241,343	1,160,728	5,921,686	17,100,141	-	
Total primary government	\$ 166,909,205	\$ 141,151,942	\$ 5,639,086	\$ (22,534,561)	\$ 17,100,141	\$ (5,434,420)	
Component units:							
Richland Public Facilities District	\$ 1,278,672	\$ 244,053	\$ 250,543	\$ -	\$ -	\$ (784,076)	
Total component units	\$ 1,278,672	\$ 244,053	\$ 250,543	\$ -	\$ -	\$ (784,076)	
General revenues:							
Property taxes				19,278,175	-	19,278,175	
Sales taxes				17,099,573	-	17,099,573	
Utility occupation taxes				13,469,212	-	13,469,212	
Real estate excise tax				3,260,038	-	3,260,038	
Motor fuel & multimodal transportation tax				1,104,789	-	1,104,789	
Hotel/motel lodging tax				715,356	-	715,356	
Other taxes				2,548,209	-	2,548,209	
Investment earnings				1,215,863	-	1,215,863	
Gain on disposition of capital assets				-	984,136	984,136	
Gain on disposition of land held for sale				-	331,594	331,594	
Insurance recoveries				-	1,186,418	1,186,418	
Developer infrastructure contributions				-	30,048	30,048	
Transfers				1,300,428	-	1,300,428	
Total general revenues, special items, and transfers				(1,632,088)	1,632,088	-	
Change in net position				59,545,973	2,977,866	62,523,839	
Net position - beginning				37,011,412	20,078,007	57,089,419	
Prior period adjustments				189,738,309	242,610,121	432,348,430	
Net position - ending				(584,308)	-	(584,308)	
				\$ 226,165,413	\$ 262,688,128	\$ 488,853,541	

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

City of Richland, Washington
Annual Comprehensive Financial Report
Balance Sheet
Governmental Funds
December 31, 2020

	General Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,120,117	\$ 3,816,125	\$ 25,910,291	\$ 40,846,533
Deposits with third parties	19,425	-	28,600	48,025
Investments	23,279,281	-	4,797,989	28,077,270
Taxes receivable	3,567,441	-	764,719	4,332,160
Customer accounts (net)	303,903	-	189,842	493,745
Interfund loans	2,391	-	-	2,391
Due from other governments	246,528	590,723	629,172	1,466,423
Assessments	-	-	29,580	29,580
Notes and contracts	-	-	1,952,726	1,952,726
Prepaid items	25,361	-	8,050	33,411
Inventory	-	-	51,951	51,951
Total assets	<u>\$ 38,564,447</u>	<u>\$ 4,406,848</u>	<u>\$ 34,362,920</u>	<u>\$ 77,334,215</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 2,039,792	\$ 1,118,474	\$ 2,515,715	\$ 5,673,981
Payable to other governments	115,881	-	12,897	128,778
Interfund loans payable	-	1,073,649	531,373	1,605,022
Deposits payable	1,011	-	8,000	9,011
Unearned revenue-other	-	-	26,600	26,600
Total liabilities	<u>2,156,684</u>	<u>2,192,123</u>	<u>3,094,585</u>	<u>7,443,392</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	168,443	-	16,105	184,548
Unavailable revenue-unbilled LID assessments	-	-	20,402	20,402
Total deferred inflow of resources	<u>168,443</u>	<u>-</u>	<u>36,507</u>	<u>204,950</u>
Total liabilities and deferred inflows of resources	<u>2,325,127</u>	<u>2,192,123</u>	<u>3,131,092</u>	<u>7,648,342</u>
FUND BALANCES (DEFICITS)				
Nonspendable				
Contractually maintained deposits	-	-	2,000	2,000
Inventory	-	-	51,951	51,951
Prepaid items	25,361	-	8,050	33,411
Restricted				
Capital Improvements	30,845	-	14,461,800	14,492,645
Debt service	-	-	354,233	354,233
Economic environment	1,377,779	-	4,788,732	6,166,511
Other Purposes	1,376,126	-	-	1,376,126
Public safety	26,388	-	1,630,496	1,656,884
Transportation	-	-	299,201	299,201
Committed				
Capital improvements	452,951	820,121	3,595,863	4,868,935
Debt service	-	-	820,754	820,754
Economic environment	113,910	-	3,822,553	3,936,463
Public Safety	95,268	-	-	95,268
Assigned				
Debt service	-	-	350,640	350,640
Public Safety	57,865	-	-	57,865
Transportation	-	1,394,604	1,045,556	2,440,160
Unassigned				
Unassigned	32,682,828	-	-	32,682,828
Total fund balances (deficits)	<u>\$ 36,239,321</u>	<u>\$ 2,214,725</u>	<u>\$ 31,231,829</u>	<u>\$ 69,685,875</u>
Total liabilities and fund balances (deficits)	<u>\$ 38,564,448</u>	<u>\$ 4,406,848</u>	<u>\$ 34,362,921</u>	<u>\$ 77,334,217</u>

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

City of Richland, Washington
Reconciliation of Balance Sheet
To the Statement of Net Position
December 31, 2020

Fund balances of governmental funds	\$69,685,874
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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:

192,320,464	192,320,464
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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	2,350,996	
Land held for sale	15,165,258	
Net pension asset	9,203,971	
Notes, contracts and taxes receivable, offset by deferred inflows of resources	204,950	
	26,925,175	

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	11,106,026	
Internal payable representing charges in excess of cost to business-type activities: prior years	2,518,998	
Internal payable representing charges in excess of cost to business-type activities: current year	1,176,014	
	14,801,038	

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

Deferred outflow of resources related to pensions	3,418,060	
Deferred outflow of resources related to OPEB	837,933	
Deferred outflow of resources related to debt refunding	266,691	
Deferred inflow of resources related to service concession arrangement (ORV Park assets)	(2,229,800)	
Deferred inflow of resources related to pensions	(3,122,609)	
Deferred inflow of resources related to OPEB	(837,658)	
Deferred inflow of resources related to debt refunding	(6,374)	
	(1,673,757)	

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	(40,665,000)	
Net premium/discount	(4,428,583)	
Other general government debt	(526,024)	
Net pension liability	(10,016,881)	
Total OPEB liability	(16,127,198)	
Compensated absences	(3,984,092)	
Accrued interest payable	(145,604)	
	(75,893,382)	

Net position of governmental activities	<u>\$226,165,412</u>
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The notes to financial statements are an integral part of this statement.

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Streets Capital Construction Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 45,553,691	\$ -	\$ 10,102,719	\$ 55,656,410
Licenses and permits	2,904,936	-	-	2,904,936
Intergovernmental	3,934,452	8,324,860	2,350,775	14,610,087
Charges for goods and services	8,340,789	422,444	6,952,837	15,716,070
Fines and forfeits	435,646	-	-	435,646
Investment earnings	619,942	41,108	349,043	1,010,093
Rents and leases	95,294	-	1,189,118	1,284,412
Miscellaneous revenue	365,128	-	221,518	586,646
Total revenues	62,249,878	8,788,412	21,166,010	92,204,300
EXPENDITURES				
Current:				
Judicial	675,038	-	-	675,038
General government	15,946,667	-	11,208	15,957,875
Public safety	24,791,076	-	7,776,007	32,567,083
Transportation	-	1,354,122	3,267,606	4,621,728
Health and human services	16,285	-	-	16,285
Economic environment	3,008,314	-	3,789,643	6,797,957
Culture and recreation	7,365,966	-	82,796	7,448,762
Debt service:				
Administrative charges	-	-	1,279	1,279
Interest	-	34,845	1,648,531	1,683,376
Principal retirement	-	-	2,447,470	2,447,470
Capital outlay:				
General government	462,753	-	135,893	598,646
Public safety	245,443	-	1,468,358	1,713,801
Transportation	-	12,314,550	-	12,314,550
Economic environment	-	-	153,957	153,957
Culture and recreation	45,501	-	1,226,118	1,271,619
Total expenditures	52,557,043	13,703,517	22,008,866	88,269,426
Excess (deficiency) of revenues over expenditures	9,692,835	(4,915,105)	(842,856)	3,934,874
OTHER FINANCING SOURCES (USES)				
Transfers in	283,812	5,849,126	6,481,002	12,613,940
Transfers out	(4,036,237)	-	(10,209,791)	(14,246,028)
Disposition of land held for sale	-	-	1,320,538	1,320,538
Debt issued	-	-	5,445,000	5,445,000
Premium on general obligation debt	-	-	1,585,468	1,585,468
Total other financing sources (uses)	(3,752,425)	5,849,126	4,622,217	6,718,918
Net change in fund balances	5,940,410	934,021	3,779,361	10,653,792
Fund balances - beginning	30,298,912	1,299,587	27,452,468	59,050,967
Prior period adjustment	-	(18,884)	-	(18,884)
Fund balances - ending	\$ 36,239,322	\$ 2,214,724	\$ 31,231,829	\$ 69,685,875

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

City of Richland, Washington
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balances - total governmental funds		\$10,653,790
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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	2,447,470	
Amortization of premiums/discounts & deferred amounts on refunding	202,158	
General obligation debt issued	(5,445,000)	
Premium on general obligation debt issued	<u>(1,585,468)</u>	
		(4,380,840)

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	(5,037)	
Change in the City's investment in joint ventures	150,457	
Change in the City's investment in land held for sale	421,280	
Change in the City's net pension liability and related deferred inflows/outflows	3,284,417	
Change in accrued interest payable	(15,180)	
Change in net OPEB obligation	14,658,508	
Change in compensated absences	<u>(456,904)</u>	
		18,037,541

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	573,810	
Internal payable representing charges in excess of cost to governmental activities-current year	<u>1,176,014</u>	
		1,749,824

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

Capital outlays	16,052,573	
Depreciation	(6,401,904)	
Donated capital assets received	<u>1,300,428</u>	
		10,951,097

Change in net position of governmental activities		<u><u>\$37,011,412</u></u>
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The notes to financial statements are an integral part of this statement.

City of Richland, Washington
Annual Comprehensive Financial Report
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Taxes	\$ 42,899,574	\$ 42,899,574	\$ 45,553,691	\$ 2,654,117
Licenses and permits	2,504,500	2,504,500	2,904,936	400,436
Intergovernmental	1,494,134	2,455,134	3,934,452	1,479,318
Charges for goods and services	9,052,248	9,052,248	8,340,789	(711,459)
Fines and forfeits	538,050	538,050	435,646	(102,404)
Investment earnings	350,000	350,000	619,942	269,942
Rents and leases	245,481	245,481	95,294	(150,187)
Miscellaneous revenue	138,905	138,905	365,128	226,223
Unassigned	-	96,668	-	(96,668)
Total revenues	57,222,892	58,280,560	62,249,878	3,969,318
EXPENDITURES				
Current:				
Judicial	806,508	806,508	675,038	131,470
General government	18,824,600	20,058,802	15,946,667	4,112,135
Public safety	25,080,972	25,463,281	24,791,076	672,205
Health and human services	15,500	15,500	16,285	(785)
Economic environment	2,954,359	3,691,537	3,008,314	683,223
Culture and recreation	8,448,215	8,747,035	7,365,966	1,381,069
Total current	56,130,154	58,782,663	51,803,346	6,979,317
Capital outlay:				
General government	13,922	13,922	462,753	(448,831)
Public safety	733,991	2,167,851	245,443	1,922,408
Culture and recreation	-	-	45,501	(45,501)
Total capital outlay	747,913	2,181,773	753,697	1,428,076
Total expenditures	56,878,067	60,964,436	52,557,043	8,407,393
Excess (deficiency) of revenues over expenditures	344,825	(2,683,876)	9,692,835	12,376,711
OTHER FINANCING SOURCES (USES)				
Transfers in	220,154	220,154	283,812	63,658
Transfers out	(3,941,245)	(3,941,245)	(4,036,237)	(94,992)
Total other financing sources (uses)	(3,721,091)	(3,721,091)	(3,752,425)	(31,334)
Net change in fund balances	(3,376,266)	(6,404,967)	5,940,410	12,345,377
Fund balances - beginning	30,298,912	30,298,912	30,298,912	-
Fund balances - ending	\$ 26,922,646	\$ 23,893,945	\$ 36,239,322	\$ 12,345,377

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities					
	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,839,596	\$ 1,922,630	\$ 41,948	\$ 7,666,373	\$ 15,470,547	\$ 11,332,240
Deposits with third parties	1,900	5,775	2,650	1,050	11,375	472,760
Investments	860,696	7,780,923	6,413,616	6,825,581	21,880,816	8,074,901
Customer accounts (net)	6,894,944	690,933	800,392	2,156,956	10,543,225	185,392
Interfund loans	-	332,049	-	-	332,049	-
Special assessments (current)	-	13,445	12,516	-	25,961	-
Due from other funds	-	-	-	-	-	736,867
Due from other governments	-	921,065	-	26,317	947,382	-
Notes and contracts	-	-	-	150,000	150,000	-
Prepaid items	338,028	-	-	5,408	343,436	204,252
Inventory	4,468,372	15,956	1,098	75,571	4,560,997	74,619
Total current assets	18,403,536	11,682,776	7,272,220	16,907,256	54,265,788	21,081,031
Noncurrent assets:						
Cash and cash equivalents	7,713,298	7,237,057	5,305,038	2,106,179	22,361,572	-
Restricted investments	4,903,798	3,302,788	669,420	2,516,149	11,392,155	-
Net pension asset	-	-	-	1,577,452	1,577,452	-
Interfund Loans	-	757,160	-	-	757,160	-
Special assessments (noncurrent)	-	86,595	80,609	-	167,204	-
Land	837,428	5,604	-	7,980,120	8,823,152	-
Depreciable assets (net)	728,596	2,550,423	10,656,429	9,853,321	23,788,769	17,437,700
Infrastructure	110,409,757	80,137,269	49,645,359	14,990,750	255,183,135	-
Construction in progress	1,899,284	2,208,962	1,420,524	204,735	5,733,505	-
Total noncurrent assets	126,492,161	96,285,858	67,777,379	39,228,706	329,784,104	17,437,700
Total assets	144,895,697	107,968,634	75,049,599	56,135,962	384,049,892	38,518,731
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow on debt refunding	212,584	178,408	245,171	50,810	686,973	-
Pension deferred outflows	641,714	192,538	174,631	551,892	1,560,775	320,880
OPEB deferred outflows	110,481	43,119	36,548	36,731	226,879	14,021
Total deferred outflows of resources	964,779	414,065	456,350	639,433	2,474,627	334,901
Total assets and deferred outflows of resources	\$ 145,860,476	\$ 108,382,699	\$ 75,505,949	\$ 56,775,395	\$ 386,524,519	\$ 38,853,632
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	4,536,878	1,277,107	641,559	758,803	7,214,347	1,345,498
Payable to other governments	118	30,610	(281)	159,199	189,646	1,767
Due to other funds	-	-	-	200,000	200,000	7,885
Interfund loans payable	-	-	-	3,890	3,890	-
Deposits payable	-	30,294	6,202	889,024	925,520	267,995
Leases payable-current	-	-	-	-	-	242,369
Compensated absences-current	384,493	145,073	68,309	297,491	895,366	299,327
Claims and judgments-current	-	-	-	-	-	2,993,657
General obligation bonds payable-current	-	-	-	200,000	200,000	-
Revenue bonds payable-current	3,120,000	1,987,100	1,537,900	25,000	6,670,000	-
Notes and contracts payable	-	881,310	76,340	21,480	979,130	-
Total OPEB liability	90,552	35,341	29,956	30,106	185,955	11,492
Total current liabilities	8,132,041	4,386,835	2,359,985	2,584,993	17,463,854	5,169,990
Noncurrent liabilities:						
Interfund loans payable (noncurrent)	-	-	-	11,670	11,670	-
Leases payable	-	-	-	-	-	778,141
Compensated absences	384,493	145,073	68,309	297,491	895,366	299,327
Notes and contracts payable	-	2,967,513	846,979	3,602,024	7,416,516	-
General obligation bonds payable	-	-	-	5,049,771	5,049,771	-
Revenue bonds payable	70,297,368	13,288,633	8,235,837	790,230	92,612,068	-
Unearned revenue	835,717	86,595	236,609	135,796	1,294,717	-
Net pension liability	1,954,998	668,775	566,850	755,795	3,946,418	1,078,077
Total OPEB liability	863,654	337,072	285,706	287,136	1,773,568	109,608
Landfill closure liability	-	-	-	7,840,264	7,840,264	-
Total noncurrent liabilities	74,336,230	17,493,661	10,240,290	18,770,177	120,840,358	2,265,153
Total liabilities	82,468,271	21,880,496	12,600,275	21,355,170	138,304,212	7,435,143
DEFERRED INFLOWS OF RESOURCES						
Pension deferred inflows	729,165	181,917	218,473	452,282	1,581,837	321,399
OPEB deferred inflows	110,445	43,105	36,536	36,719	226,805	14,017
Deferred inflow on debt refunding	5,568	-	-	-	5,568	-
Total deferred inflows of resources	845,178	225,022	255,009	489,001	1,814,210	335,416
Total liabilities and deferred inflows of resources	83,313,449	22,105,518	12,855,284	21,844,171	140,118,422	7,770,559
NET POSITION						
Net investment in capital assets	46,114,299	67,192,845	50,864,116	23,187,468	187,358,728	16,417,190
Restricted for:						
Capital improvements	1,114,804	6,521,101	4,882,418	-	12,518,323	-
Debt Service	6,052,706	1,842,606	948,556	85,294	8,929,162	-
Pensions	-	-	-	1,692,473	1,692,473	-
Unrestricted	9,265,217	10,720,627	5,955,573	9,965,992	35,907,409	14,665,883
Total net position	\$ 62,547,026	\$ 86,277,179	\$ 62,650,663	\$ 34,931,227	246,406,095	\$ 31,083,073
Net position of internal service funds predominantly serving business-type activities					19,977,047	
Internal payable representing charges in excess of cost to governmental activities-prior years					(2,518,998)	
Internal payable representing charges in excess of cost to governmental activities-current year					(1,176,014)	
Net position of business-type activities					\$ 262,688,130	

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities					Internal Service Funds
	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Total Nonmajor Funds	Total Enterprise Funds	
OPERATING REVENUES						
Electric	\$ 71,535,587	\$ -	\$ -	\$ -	\$ 71,535,587	\$ -
Water	-	16,172,969	-	-	16,172,969	-
Sewer	-	-	9,757,940	-	9,757,940	-
Solid waste	-	-	-	10,598,643	10,598,643	-
Stormwater	-	-	-	1,946,254	1,946,254	-
Golf course	-	-	-	1,688,869	1,688,869	-
Medical services	-	-	-	5,880,955	5,880,955	-
Broadband	-	-	-	329,883	329,883	-
Internal service funds	-	-	-	-	-	26,391,339
Other operating revenues	2,004,894	-	-	-	2,004,894	99,375
Total operating revenues	73,540,481	16,172,969	9,757,940	20,444,604	119,915,994	26,490,714
OPERATING EXPENSES						
Maintenance and operations	46,920,141	5,302,309	4,252,121	12,879,651	69,354,222	19,785,341
Administrative and general	5,789,600	1,576,037	1,095,036	1,987,345	10,448,018	2,310,826
Taxes exp	8,348,663	2,690,518	1,296,266	1,612,408	13,947,855	-
Depreciation	6,114,666	2,517,170	1,958,333	742,756	11,332,925	2,708,718
Total operating expenses	67,173,070	12,086,034	8,601,756	17,222,160	105,083,020	24,804,885
Operating income (loss)	6,367,411	4,086,935	1,156,184	3,222,444	14,832,974	1,685,829
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	205,738	307,190	195,737	228,056	936,721	297,412
Disposition of capital assets	-	-	-	-	-	331,594
Miscellaneous nonoperating revenues/(expenses)	112,306	23,666	15,167	(680,103)	(528,964)	709,760
Interest expense	(2,810,057)	(575,348)	(364,648)	(252,879)	(4,002,932)	(46,201)
Total nonoperating revenues (expenses)	(2,492,013)	(244,492)	(153,744)	(704,926)	(3,595,175)	1,292,565
Income (loss) before contributions and transfers	3,875,398	3,842,443	1,002,440	2,517,518	11,237,799	2,978,394
Transfers in	-	-	-	696,464	696,464	1,500,886
Transfers out	(30,000)	(20,000)	(26,758)	(488,504)	(565,262)	-
Insurance recoveries	-	-	-	30,048	30,048	27,814
Capital contributions	1,199,067	2,825,273	1,527,531	369,815	5,921,686	-
Change in net position	5,044,465	6,647,716	2,503,213	3,125,341	17,320,735	4,507,094
Total net position - beginning	57,502,561	79,629,463	60,147,448	31,805,886	229,085,358	26,575,979
Total net position - ending	\$ 62,547,026	\$ 86,277,179	\$ 62,650,661	\$ 34,931,227	\$ 246,406,093	\$ 31,083,073
Net change in enterprise funds net position					\$ 17,320,735	
Change in net position of internal service funds predominantly serving business-type activities					3,933,287	
Internal payable representing charges in excess of cost to governmental activities-current year					(1,176,014)	
Total change in net position of business-type activities					\$ 20,078,008	

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

City of Richland, Washington
Annual Comprehensive Financial Report
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Electric Utility Fund	Water Utility Fund	Wastewater Utility Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 74,482,324	\$ 16,292,783	\$ 9,672,847	\$ 27,764,151	\$ 128,212,105	\$ 15,158,333
Receipts from interfund services provided	-	-	-	-	-	11,370,764
Payments to suppliers	(54,338,621)	(1,331,068)	(1,447,607)	(11,463,164)	(68,580,460)	(16,302,959)
Taxes paid	(6,080,525)	(2,690,401)	(1,296,546)	(1,598,272)	(11,665,744)	53
Payments to employees	(1,050,864)	(2,731,262)	(2,510,868)	(6,793,056)	(13,086,050)	(4,493,009)
Payments for interfund services used	(2,706,226)	(2,247,166)	(1,696,056)	(4,605,778)	(11,255,226)	(1,207,611)
Net cash provided (used) by operating activities	<u>10,306,088</u>	<u>7,292,886</u>	<u>2,721,770</u>	<u>3,303,881</u>	<u>23,624,625</u>	<u>4,525,571</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Reimbursements and recoveries	-	9,134	7,463	23,701	40,298	474,175
Grants and contributions	-	-	-	453,626	453,626	-
Proceeds from interfund loans	-	-	-	200,000	200,000	-
Interfund loan repayments made	-	-	-	(200,000)	(200,000)	(536,867)
Interfund loan repayments received	-	324,045	-	-	324,045	40,000
Transfers to other funds	(30,000)	(20,000)	-	(488,504)	(538,504)	-
Transfers from other funds	-	-	-	586,464	586,464	-
Net cash provided (used) by noncapital financing activities	<u>(30,000)</u>	<u>313,179</u>	<u>7,463</u>	<u>575,287</u>	<u>865,929</u>	<u>(22,692)</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES						
Principal paid on debt	(3,045,000)	(3,121,587)	(1,550,391)	(305,835)	(8,022,813)	73,782
Interest paid on debt	(2,960,313)	(723,592)	(468,749)	(253,545)	(4,406,199)	(46,201)
Transfers to other funds	-	-	(26,758)	-	(26,758)	-
Transfers from other funds	-	-	-	110,000	110,000	1,500,886
Proceeds from debt	-	219,523	-	3,540,951	3,760,474	-
Bond issuance costs	-	-	-	(221)	(221)	-
Interfund loan repayments made	-	-	-	(3,890)	(3,890)	(32,115)
Proceeds from sale of capital assets	5,754	10,330	3,792	-	19,876	651,336
Proceeds from capital grants and contributions	668,453	1,331,510	1,175,126	59,655	3,234,744	-
Payments related to acquisition, construction or improvements of capital assets	<u>(10,886,333)</u>	<u>(4,770,250)</u>	<u>(1,290,174)</u>	<u>(1,591,946)</u>	<u>(18,538,703)</u>	<u>(5,970,154)</u>
Net cash provided (used) by capital and related activities	<u>(16,217,439)</u>	<u>(7,054,066)</u>	<u>(2,157,154)</u>	<u>1,555,169</u>	<u>(23,873,490)</u>	<u>(3,822,466)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt of interest	265,409	277,371	166,300	194,138	903,218	263,656
Investments sold	15,094,598	11,582,682	7,135,553	6,911,947	40,724,780	6,967,063
Investments purchased	<u>(5,699,732)</u>	<u>(11,053,891)</u>	<u>(6,774,767)</u>	<u>(9,309,344)</u>	<u>(32,837,734)</u>	<u>(8,074,901)</u>
Net cash provided (used) by investing activities	<u>9,660,275</u>	<u>806,162</u>	<u>527,086</u>	<u>(2,203,259)</u>	<u>8,790,264</u>	<u>(844,182)</u>
Net change in cash and cash equivalents	3,718,924	1,358,161	1,099,165	3,231,078	9,407,328	(163,769)
Cash and cash equivalents, January 1	9,833,971	7,801,526	4,526,652	6,541,474	28,703,623	11,496,007
Cash and cash equivalents, December 31	<u>13,552,895</u>	<u>9,159,687</u>	<u>5,625,817</u>	<u>9,772,552</u>	<u>38,110,951</u>	<u>11,332,238</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income/(loss)	6,367,411	4,086,935	1,156,184	3,222,444	14,832,974	1,685,829
Adjustments to reconcile operating income to net cash provided from operating activities:						
Depreciation expense	6,114,666	2,517,170	1,958,333	742,756	11,332,925	2,708,717
Accrued pension and OPEB expense	(651,082)	(268,900)	(253,248)	(425,004)	(1,598,234)	(455,672)
(Increase)/decrease in receivables	475,701	163,492	(54,928)	(100,672)	483,593	(84,967)
(Increase)/decrease in prepaid items	(40,525)	-	-	761	(39,764)	(13,842)
(Increase)/decrease in inventories	(666,281)	120,906	-	(3,805)	(549,180)	26,125
Increase/(decrease) in payables	(1,985,534)	673,283	(84,571)	(131,570)	(1,528,392)	659,381
Increase/(decrease) in unearned revenues	(5,034)	-	-	(1,029)	(6,063)	-
Other income and adjustments	696,766	-	-	-	696,766	-
Total adjustments	<u>3,938,677</u>	<u>3,205,951</u>	<u>1,565,586</u>	<u>81,437</u>	<u>8,791,651</u>	<u>2,839,742</u>
Net cash provided (used) by operating activities	<u>\$ 10,306,088</u>	<u>\$ 7,292,886</u>	<u>\$ 2,721,770</u>	<u>\$ 3,303,881</u>	<u>\$ 23,624,625</u>	<u>\$ 4,525,571</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Contribution of capital assets	\$ 590,214	\$ 572,698	\$ 352,405	\$ 369,815	\$ 1,885,132	
Net non-cash capital activities	<u>\$ 590,214</u>	<u>\$ 572,698</u>	<u>\$ 352,405</u>	<u>\$ 369,815</u>	<u>\$ 1,885,132</u>	

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

City of Richland, Washington
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2020

	Custodial Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 4,827,387
Receivables	
Due from other Funds	14,672
Accounts Receivable	594,477
Due from Other Governments	297,223
Other Current Assets	6,787
Total Receivables	<hr/> 5,740,546
Noncurrent Assets:	
Land	14,593
Buildings	2,081,390
Less Allowance for Depreciation	(988,541)
Equipment	16,706,330
Less Allowance for Depreciation	(12,819,373)
Total Noncurrent Assets	<hr/> 4,994,399
Total Assets	<hr/> <hr/> 10,734,945
LIABILITIES	
Accounts Payable	54,889
Due to Other Funds	14,672
Salaries Payable	189,153
Employee Leave Benefits	189,153
Total Liabilities	<hr/> 447,867
NET POSITION	
Investment in Capital Assets, Net of Debt	4,689,227
Committed	1,129,760
Unassigned	4,468,091
TOTAL NET POSITION	<hr/> <hr/> \$ 10,287,078

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

City of Richland, Washington
Statement of Changes in Fiduciary Net Position
Custodial Funds
for the year ended December 31, 2020

ADDITIONS	Custodial Funds
Contributions:	
Collections from Participants	\$ 5,333,533
Grant Revenues	732,980
Tax Revenues	2,754,721
Site & Facilities Rent	5,550
Contribution for Capital Projects	1,103,471
Interest Earnings	59,592
Total Additions	<u>9,989,847</u>
 DEDUCTIONS	
Supplies	42,205
Contracted Services/Charges	6,291,822
Repairs & Maintenance	1,421,028
Interest Expense	317
Admin. Services - Richland	482,913
Depreciation Expense	1,163,981
Total deductions	<u>9,402,266</u>
Net increase (decrease) in fiduciary net position	587,581
Net position - beginning	9,699,497
NET POSITION - ENDING	<u>\$ 10,287,078</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

THE REPORTING ENTITY

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

2) Proprietary Funds Financial Statements – Includes business-type or “enterprise” activities and governmental-type internal service funds. Proprietary fund statements report in separate columns the City’s 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 “Total nonmajor funds” column. The City’s internal service funds are aggregated and reported in the “Internal Service Funds” column.

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

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

3) Fiduciary Funds Financial Statements – These statements report, in separate columns, the City’s custodial funds (aggregated into the “Custodial Funds” column). The City reports fiduciary activities as required by GASB Statement No. 84, which the City implemented in its 2020 financial statements.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

BUDGET INFORMATION

The City's annual budget process begins early in the year with the development of the budget calendar, followed by workshops to identify priority parameters for the upcoming budget cycle. Formal budget preparation begins in May and lasts through September. As preparation progresses, meetings between staff and the City Manager are held to prioritize services and identify key projects to be incorporated into the budget. All requests are thoroughly reviewed to ensure they are cohesive with the City's strategic plan and overall financial picture. The City Manager submits the proposed budget to the City Council in October and it is available on November 1st for public review, with a public hearing taking place in November to provide a

forum for public comment. First reading is given to the budget ordinance in November with final adoption occurring two weeks later. The formally adopted budget takes effect on January 1st of the ensuing year.

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

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

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

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

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

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

ASSETS, LIABILITIES AND NET POSITION

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

PURPOSE	ELECTRIC	WATER	SEWER	SOLID WASTE	STORM WATER	COLUMBIA PT GOLF COURSE	TOTAL
Capital Improvements	\$ 6,564,390	\$ 6,521,101	\$ 5,038,418				\$ 18,123,909
Landfill Closure/Post Closure				2,060,011			2,060,011
Debt Service	1,148,908	715,956	266,620		23,581	22,588	2,177,653
Total Restricted	\$ 7,713,298	\$ 7,237,057	\$ 5,305,038	\$ 2,060,011	\$ 23,581	\$ 22,588	\$ 22,361,573

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, 2020, are as follows:

Treasurer's Cash, Net	\$ 5,662,977
Held by Component Unit	\$ 60,546
Deposits In Transit	\$ 428,131
Petty Cash/Change Funds	\$ 6,050
Deposits with Fiscal Agent	\$ 6
Outstanding Checks	\$ (1,479,760)
Retainage Held by 3rd Party	\$ 742,671
Unreconciled Items	\$ 79,450
Total Deposits	\$ 5,500,071

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

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

The City is required to certify their budget with the Clerk of the Board of County Commissioners by November 30th and certify the amount of their taxes levied for the upcoming year. The levy is based on the value of all taxable real property in the City of Richland at 100% of the fair market value of the property listed as of the prior May 31st as assessed by the County Assessor. The City's regular property tax levy rate is limited to \$3.60 per \$1,000 assessed value (\$3.375 plus \$0.225 for cities with 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 2020, the City's regular tax levy was \$2.3013 per \$1,000 on an assessed valuation of \$7,712,338,099 for a total regular levy of \$17,748,204 (after the appeals process). The City's regular levy included \$0.031 for the Fire Pension Fund, which resulted in collections of \$240,000. In addition, there were

special levies for debt service on general obligation debt issued for capital acquisitions or construction at \$.1893 per \$1,000 of assessed valuation of \$7,712,338,099 totaling \$1,453,975 (after the appeals process). The composite City of Richland levy was \$2.49054 per \$1,000 of assessed valuation for a total levy of \$19,202,179.

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

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

General Fund	\$ 168,443
Other Governmental Funds	
Police Station Bond Fund	757
Richland Community Center Bond Fund	967
Library Remodel Bond Fund	14,381
TOTAL	\$ 184,548

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

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

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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, 2020, the City had the following assessment balances:

	Current Assessments	Delinquent Assessments	Long Term Assessments	Deferred Inflows	Fund Total
Debt Service Fund Assessments Receivable (LIDs)	\$ 5,584	\$ 3,595	\$ 20,402	\$ (20,402)	\$ 9,179
Water Fund Assessments Receivable	11,209	2,236	86,595	-	\$ 100,041
Sewer Fund Assessments Receivable	10,434	2,082	80,609	-	\$ 93,125
Total	\$ 27,227	\$ 7,913	\$ 187,607	\$ (20,402)	\$ 202,345

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	\$804,507
HOME fund	<u>1,148,219</u>
TOTAL	<u>\$1,952,726</u>

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

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

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The following table shows a summary of the interfund balances for the year ended December 31, 2020:

OWED TO...	OWED BY...				
	Streets Construction	Other Governmental	Other Enterprise	Internal Service	TOTAL
General Fund	\$ -	\$ 2,391	\$ -	\$ -	\$ 2,391
Water Fund	1,073,649	-	15,560	-	1,089,209
Internal Service	-	528,982	200,000	7,885	736,867
Total	\$ 1,073,649	\$ 531,373	\$ 215,560	\$ 7,885	\$ 1,828,467

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		\$ -	\$ 2,391	\$ 2,391
Water Fund		1,073,649	-	1,073,649
Total		\$ 1,073,649	\$ 2,391	\$ 1,076,040

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	\$ 15,560	\$ 15,560
Total	\$ 15,560	\$ 15,560

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	Other Governmental		TOTAL
		Columbia Point Golf Course	Central Stores	CDBG	Fire Station Construction	
Internal Service	Equipment Replacement	\$ 200,000	\$ 7,885	\$ 44,269	\$ 484,713	\$ 736,867
Total		\$ 200,000	\$ 7,885	\$ 44,269	\$ 484,713	\$ 736,867

Inventories and Prepaid Items - Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed. In the governmental fund statements, a portion of fund balance equal to the ending amount of

inventory is presented as non-spendable to indicate that it is not available for future expenditures. A comparison to market value is not considered necessary as inventories in proprietary funds are valued at average cost, which approximates market value. Prepaid items include LEOFF trust monthly premium, maintenance and warranty support agreements, annual service renewals and annual subscription renewals.

Investment in Joint Ventures - These consist of the following:

Benton County Emergency Services (BCES) - BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. A second amended and restated interlocal agreement was made and entered into by and between the following entities: Benton County, Franklin County, the Cities of Kennewick, Richland, West Richland, Prosser, Benton City, and Pasco, Benton and Franklin County Fire Protection Districts and the Public Utility District #1 of Benton County. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick, Pasco and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City, a Benton County Commissioner, a Franklin County Commissioner and a single representative collectively representing Benton and Franklin County Fire Protection Districts. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCES in 2020 for these services was \$482,913. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

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

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

The City of Richland's equity interest in SECOMM as of December 31, 2020 was \$1,126,712 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 PNPL, DEA, and the Framatome Corporation. Radios are charged an annual fee per radio to generate the funds necessary to maintain and upgrade the system. The City of Richland's equity interest in 800 MHz as of December 31, 2020 was \$871,424 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, 2020 was \$46,815 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, 2020 was \$23,203, which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected under Public Safety in the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

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

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

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Interlocal Agreement, the net position will be shared based upon participant contribution. Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, Kennewick provides all necessary support services for the operation of BI-PIN such as accounting, legal services, risk management and information systems. The total amount paid by BI-PIN in 2020 for these transactions was \$119,000.

The City of Richland's equity interest in BI-PIN was \$251,949 on December 31, 2020, 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 \$30,893 on June 30, 2020, 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.

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 and facility fees in Richland Energy Services, water and sewer.

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, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of December 31, 2020. OPEB is discussed in detail in Note 9.

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

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

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

Net Position, Equity and Fund Balances

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

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

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

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

Minimum Fund Balance – The City’s financial policies, as outlined in the 2020 annual budget document, state that minimum reserves should be maintained in the General Fund equal to approximately 16.7% of projected annual operating expenditures. Any proposed reduction of this reserve level requires approval by a majority of the City Council.

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

- The Public Works Administration and Engineering Fund is reporting a deficit net position at December 31, 2020, in the amount of \$750,116. 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, 2020, in the amount of \$499,138. The Net Pension Liability reported in accordance with GASB 68 results in a deficit fund balance at year-end.

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

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Prior Period Adjustments – Occasionally, a prior period adjustment is required to adjust fund balance for corrections of prior year amounts that should not flow through the current year Revenue and Expenditure statements. The following table itemizes all the prior period adjustments made in 2020, along with the purposes for the adjustments:

	Purpose for Adjustment	Increase / (Decrease) due to adjustment		
		Assets	Liabilities	Net Position
Fund Financial Statements:				
Governmental Funds:				
Streets Capital Construction	1	(18,884)	-	(18,884)
Total Governmental Funds		(18,884)	-	(18,884)
Enterprise Funds:				
Total Enterprise Funds		-	-	-
Total prior period adjustments - all funds		(18,884)	-	(18,884)
Government-wide Financial Statements				
Governmental Activities:				
Noncapital items	2	(573,620)	-	(573,620)
Depreciation correction	3	8,196	-	8,196
Total Governmental Activities		(565,424)	-	(565,424)
Total prior period adjustments - all funds and govt activities		(584,308)	-	(584,308)

Purpose for adjustments:

1. In 2018, cash receipts totaling \$18,884 were erroneously reported as mitigation fee cash in the Streets Construction Fund. A correcting entry was posted to move the cash to Developer Improvement Deposits in the PW Admin & Engineering fund.
2. In 2019, noncapital furniture costs of \$573,620 was erroneously included in the depreciable asset value for the new City Hall building. A correcting entry was posted to reduce the value of the government capital asset.
3. In 2019 Depreciation Expense was reported in error on Construction Work in Progress assets. An adjustment was needed to correct Accumulated Depreciation for those assets.

NOTE 2. INVESTMENTS

Investments Measured at Amortized Cost

As of December 31, 2020, the City held the following investments at amortized cost:

Type of Investment	Maturities	
State Investment Pool (LGIP)	Average 49 days	83,304,062
State Certificate of Participation (Local)		7,006,271
Total		90,310,333

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

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

Investments Measured at Fair Value

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

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

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

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Credit Risk: The following represents the allocation and credit rating of City investments by type of security as of December 31, 2020:

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

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

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

At December 31, 2020 the City had the following investments at fair value:

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Weighted Average Maturities
<u>GOVERNMENTAL ACTIVITIES</u>				
U.S. Government Securities	\$ 15,831,856		\$ 15,831,856	0.72
Municipal Bonds	\$ 16,324,194		16,324,194	0.56
Bond Mutual Funds	754,626	754,626		N/A
Nonnegotiable CD	200,000		200,000	1.00
Subtotal Governmental Activities	33,110,676	754,626	32,356,050	
<u>BUSINESS TYPE ACTIVITIES</u>				
U.S. Government Securities	23,317,144		23,317,144	0.72
Municipal Bonds	12,947,728		12,947,728	0.56
Nonnegotiable CD	49,995		49,995	1.00
Subtotal Business Type Activities	36,314,867	-	36,314,867	
Total Investments by Fair Value Level	\$ 69,425,543	\$ 754,626	\$ 68,670,917	

NOTE 3. CAPITAL ASSETS

Governmental Activities - A summary of governmental capital assets for the year ended December 31, 2020 is presented in the following table:

Governmental activities	Balance			Transfers/	Balance
	January 1, 2020	Increases	Decreases	Reclassifications	December 31, 2020
<u>Capital Assets, not being depreciated:</u>					
Land	\$ 8,001,359	\$	\$	\$	\$ 8,001,359
Construction in progress	35,700,707	14,399,415	(36,529,307)	(9,677)	13,561,138
Total capital assets, not being depreciated	43,702,066	14,399,415	(36,529,307)	(9,677)	21,562,497
<u>Capital Assets, being depreciated:</u>					
Buildings and improvements	89,665,119	574,884	(573,621)	9,677	89,676,059
Machinery and equipment	8,961,878	583,417			9,545,295
Infrastructure	240,103,950	38,269,128			278,373,078
Intangibles	2,754,562	265,163			3,019,725
Total capital assets, being depreciated	341,485,509	39,692,592	(573,621)	9,677	380,614,157
Less accumulated depreciation for:					
Buildings and improvements	(36,087,970)	(2,490,780)		8,196	(38,570,554)
Machinery and equipment	(6,950,753)	(405,813)			(7,356,566)
Infrastructure	(159,882,238)	(3,241,042)			(163,123,280)
Intangibles	(541,519)	(264,268)			(805,787)
Total accumulated depreciation	(203,462,480)	(6,401,904)	-	8,196	(209,856,188)
Total capital assets being depreciated, net	138,023,029	33,290,688	(573,621)	17,873	170,757,969
Governmental activities capital assets, net	\$ 181,725,095	\$ 47,690,103	\$ (37,102,928)	\$ 8,196	\$ 192,320,466

Depreciation expense was charged as follows:

<u>FUNCTION</u>	<u>TOTAL</u>
General government -	\$ 1,262,054
Public safety -	351,718
Transportation -	3,162,589
Economic environment -	176,101
Culture & recreation -	1,449,442
Physical environment -	-
TOTAL DEPRECIATION EXPENSE	\$6,401,904

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The following is a list of construction commitments existing as of December 31, 2020 in the City's governmental-type activities:

Fund	Project	Spent as of December 31, 2020	Remaining Committed
Streets Capital Const	Duportail Bridge	29,041,217	1,686,058
Streets Capital Const	Steptoe/Tapteal Drive Intersection	174,067	43,284
Streets Capital Const	Columbia Park Trail Improvement - East	206,915	3,758,628
Streets Capital Const	GF Trans Rapid Flash Beacons	89,995	82,751
Streets Capital Const	Clubhouse Lane Extension/Roundabout	1,451,920	352,504
Streets Capital Const	First Street Extension W of Kingsgate	78,783	36,077
Streets Capital Const	Duportail Corridor at Queensgate & Keene	1,157,871	506,191
Streets Capital Const	Center Parkway - North-Gage to Tapteal	2,524,820	113,341
Streets Capital Const	Center Parkway South - Environmental Srv	147,559	34,676
Streets Capital Const	GWV Resurfacing & Streetscape	5,605,780	238,505
Streets Capital Const	SR240/Aaron Interchange Improvement Study	1,741	179,998
Streets Capital Const	Van Giesen/Thayer Intersec	38,572	25,257
Fire Station 75 Construction	Fire Station 75 Construction	934,636	3,540,954
Fire Station 73 Construction	Fire Station 73 Construction	533,845	4,199,269
Parks Construction	Howard Amon Riverfront Trail	-	60,697
Parks Construction	Wayfinding Gateway Entrance	338,920	374,988
Parks Construction	Horn Rapid ORV Park Access Road	300,197	13,266
Parks Construction	McMurray Basketball Court	76,273	3,310
Parks Construction	Mansfield & Leslie Crossing Improvements	6,720	59,944

Business-Type Activities - A summary of business-type capital assets for the year ended December 31, 2020 is presented in the following table:

Business-type activities	Balance			Transfers/ Reclassifications	Balance December 31, 2020
	January 1, 2020	Increases	Decreases		
<u>Capital Assets, not being depreciated:</u>					
Land	\$ 8,823,152	\$ -	\$ -	\$ -	\$ 8,823,152
Construction in progress	16,087,018	9,949,450	(20,302,963)	-	5,733,505
Total capital assets, not being depreciated	24,910,170	9,949,450	(20,302,963)	-	14,556,657
<u>Capital Assets, being depreciated:</u>					
Buildings and improvements	47,316,131	6,730,644	-	-	54,046,775
Machinery and equipment	41,163,044	7,231,163	(2,043,581)	-	46,350,626
Infrastructure	405,919,272	23,301,022	-	-	429,220,294
Total capital assets, being depreciated	494,398,447	37,262,829	(2,043,581)	-	529,617,695
Less accumulated depreciation for:					
Buildings and improvements	(31,551,107)	(711,786)	-	-	(32,262,893)
Machinery and equipment	(25,603,582)	(3,255,448)	1,950,988	-	(26,908,042)
Infrastructure	(163,937,802)	(10,155,890)	56,531	-	(174,037,161)
Total accumulated depreciation	(221,092,491)	(14,123,124)	2,007,519	-	(233,208,096)
Total capital assets being depreciated, net	273,305,956	23,139,705	(36,062)	-	296,409,599
Business-type activities capital assets, net	\$ 298,216,126	\$ 33,089,155	\$ (20,339,025)	\$ -	\$ 310,966,256

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The following is a list of construction commitments existing as of the year ended December 31, 2020 in the City's business-type activities:

Fund	Project	Spent as of December 31, 2020	Remaining Committed
Water	Yakima River Crossing Pipeline Replacement - Duportail Bridge	4,485,311	159,123
Water	Columbia River Intake Screen Upgrade	1,522,141	1,416,729
Water	Water Treatment Plant Façade	618,366	54,927
Water	Water Treatment Plant Solids Handling Improvements	118,700	236,784
Water	Automated Meter Reading (AMI) System	105,997	5,446,504
Water	Chief Joseph Middle School Irrigation Well	437	21,200
Water/Sewer/Stormwater	Columbia Park Trail - East	32,497	653,905
Sewer	Waste Water Treatment Facility Generator Replacement	49,455	51,072
Sewer	Waste Water Treatment Facility Lab Rebuild	763,148	34,553
Sewer	Influent Upgrades	3,328,993	228,324
Sewer	Waste Water Treatment Facility Digester Improvements	184,962	15,771
Sewer	Trenchless Sewer Rehab Project	889,148	124,509
Sewer	Waste Water Treatment Facility Aeration Basin #2 Retrofit	296,958	239,046
Solid Waste	Horn Rapids Landfill Scalehouse	5,967,496	144,382
Stormwater	Keene Road Stormwater Improvements	448,364	2,128
Stormwater	Meadow Springs Outfall	137,355	822
Stormwater	Columbia Park Trail West/Leslie	34,883	42,901
Broadband	Fiber Backbone	28,646	92,042

NOTE 4. LONG-TERM DEBT AND LIABILITIES

Governmental Activities

Long-term liabilities of the City's governmental activities consist of 1) general obligation bonds, 2) compensated absences, 3) notes, loans payable to state agencies, and Local Program loans through Office of the State Treasurer 4) Other Post-Employment Benefits (OPEB) Liability, and 5) Net Pension Liability. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long-Term Governmental Liabilities and Debt which includes changes to long-term liability activities for 2020.

Debt Issued in 2020 – In 2020 the City obtained financing through the Washington State Treasurer's Office Local Program to obtain a loan to fund the construction of two new fire stations in the amount of \$5,445,000.

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

Notes, Loans Payable to State Agencies and Local Program Loans through Office of the State Treasurer – The governmental funds have one outstanding Community Economic Revitalization Board (CERB) Loan, which was issued in 2005 for the extension of Battelle Boulevard. In 2015, the Washington State Department of Transportation (WSDOT) provided the Street Fund with a rail loan. As mentioned above, in 2020 the City

utilized the State Treasurer's Office Local Program to finance the construction of two new fire stations. Loans and notes are considered obligations of the general government and will be repaid with general governmental revenue sources.

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, 2020, is \$18,207,822. The TOL as of December 31, 2020, related to governmental activities is \$16,127,198. The current portion of the TOL for governmental activities is \$1,231,097.

Net Pension Liability – GASB 68 became effective with the 2015 ACFR. As such the City is required to report a proportionate share of the State's pension liability from the PERS 1, 2 and 3, LEOFF 1 and 2 State Pension Plans. LEOFF Plans have Net Pension Assets which are not reflected in this section, however PERS Plans have Net Pension Liabilities (NPL) that are reflected in the table on the following page. The City's share of the Net Pension Liability for PERS 1, 2 and 3 is \$10,188,534 of which \$5,164,037 is related to governmental activities. This amount has been allocated to Governmental activities and Business type activities based on the contributions of each fund. Governmental Funds are only reported on the Statement of Net Position however, proprietary funds have recorded their share of the liability in the fund financial statements. In addition to the State pension plans, the City is responsible for administering two Pre LEOFF 1 Pension Plans for Pre LEOFF police and fire officers. The 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 ACFR.

Refunded Bonds – In prior years the City defeased certain general obligation bonds by placing a portion of the proceeds from new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2020, 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, 2020:

SCHEDULE OF LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES								
UNLIMITED TAX GENERAL OBLIGATION BONDS-VOTED								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2020	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/20	DUE WITHIN ONE YEAR
2015 Refunding UTGO Police Station/Community Center/Library Remodel	2.00%-5.00%	12/1/2026	14,385,000	9,560,000		1,075,000	8,485,000	1,170,000
TOTAL UNLIMITED TAX GENERAL OBLIGATION BOND DEBT							8,485,000	1,170,000
LIMITED TAX GENERAL OBLIGATION BONDS-NONVOTED, COUNCILMANIC								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2020	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/20	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1998 LTGO Refund, IT Facility)	2.00%-4.30%	12/1/2039	3,170,000	1,280,000		60,000	1,220,000	65,000
2013A LTGO LRF to finance Infrastructure in RAISE areas	1.125%-4.00%	12/1/2037	10,050,000	8,710,000		355,000	8,355,000	365,000
2014 LTGO Fire Station #74 Construction	2.0%-4.0%	12/1/2034	3,355,000	2,720,000		140,000	2,580,000	145,000
2017 LTGO & Refunding & 2006 Refunding Bonds (City Hall Portion)	3.0%-5.0%	12/1/2045	13,255,000	13,255,000		295,000	12,960,000	305,000
2017 LTGO & Refunding & 2006 Refunding Bonds (2006 Refunding Portion)	2.0%-4.0%	12/1/2045	2,875,000	2,050,000		430,000	1,620,000	440,000
Local Fire Stations 73 & 75	2.21731%	6/1/2040	5,445,000	-	5,445,000	-	5,445,000	155,000
TOTAL LIMITED TAX GENERAL OBLIGATION BOND DEBT							32,180,000	1,475,000
Unamortized Premiums				3,088,658	1,585,468	245,543	4,428,583	
TOTAL GENERAL OBLIGATION BOND DEBT NET OF UNAMORTIZED PREMIUMS							45,033,583	2,645,000
OTHER GOVERNMENTAL LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2020	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/20	DUE WITHIN ONE YEAR
C2003-148- Community Economic Revitaliz. Bd Loan Battelle Blvd. Ext.	1.00%	1/1/2026	780,000	378,505		52,472	326,033	52,396
WSDOT Rail Loan for Streets	0.00%	7/1/2025	333,382	233,363		33,398	199,965	33,398
Compensated Absences		N/A	-	3,527,188	4,083,031	3,626,127	3,984,092	1,992,046
Net Pension Liab-Pre LEOFF 1 Plan Fire		N/A	-	1,636,538		132,845	1,563,693	-
Net Pension Liab-Pre LEOFF 1 Plan Police		N/A	-	3,600,194		311,045	3,289,149	-
Total OPEB Liability - LEOFF 1 Plan Fire		N/A	-	8,820,142		4,780,846	4,039,296	256,047
Total OPEB Liability - LEOFF 1 Plan Police		N/A	-	14,636,661		3,845,820	4,850,841	288,266
Net Pension Liability- State PERS/LEOFF Plans		N/A	-	5,363,211		205,174	5,164,037	-
Total OPEB Liability - City Post Emp Healthcare		N/A	-	7,667,388		430,927	7,237,061	686,784
TOTAL OTHER GOVERNMENTAL LIABILITIES							30,654,193	3,316,137
TOTAL GOVERNMENTAL LIABILITIES							75,747,776	5,961,137

The annual debt service requirements to maturity as of the fiscal year ended December 31, 2020 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
2021	\$ 2,737,994	\$ 1,710,766	\$ 4,448,760
2022	\$ 2,658,524	\$ 1,609,512	\$ 4,268,036
2023	\$ 2,799,060	\$ 1,516,826	\$ 4,315,885
2024	\$ 2,944,600	\$ 1,419,236	\$ 4,363,836
2025	\$ 3,120,146	\$ 1,305,240	\$ 4,425,386
2026-2030	\$ 8,875,700	\$ 4,934,266	\$ 13,809,966
2031-2035	\$ 7,995,000	\$ 3,353,674	\$ 11,348,674
2036-2040	\$ 6,185,000	\$ 1,751,475	\$ 7,936,475
2041-2045	\$ 3,875,000	\$ 600,500	\$ 4,475,500
TOTAL	\$ 41,191,024	\$ 18,201,495	\$ 59,392,519

Business-Type Activities

Long-term liabilities of the City's business-type activities consist of 1) revenue and general obligation bonds, 2) compensated absences, 3) notes and loans payable to state and local government agencies, 4) closure and post-closure care liability for the City's landfill, 5) capital Leases 6) total Other Post-Employment Benefits (OPEB) Liability, 7) Net Pension Liability (NPL) and 8) Local Improvement Districts (LID's) with commitments. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long-Term Business Type Liabilities and Debt which includes changes to long-term liability activities for 2020.

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.

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

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

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

The City's closure/post-closure operations plan is to proceed in two phases. Closure of the first phase was completed 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 2020, the second phase landfill volume used was 98.7%. This remaining landfill area is anticipated to reach full capacity and require closure in 2021. This projected date of closure may be extended due to City-wide waste diversion efforts which began in 2010. As of December 31, 2020, the City had sufficient funds set aside to fund the projected \$4,173,400 construction costs of the second phase closure infrastructure and provide approximately 9% of the post-closure care. Cash and investments of \$4,514,847 or 56.60% of required reserves, have been accumulated. The post-closure care of the current landfill site is estimated to cost \$3,804,000 in current dollars. The additional \$3,462,553 of reserves necessary to complete the 30 years of post-closure care will be funded through operations.

The City's waste management software tracked 78,043 tons of waste accepted in 2020. The current year expense for the related use of available volume was \$353,010. Also during 2020, the estimate of closure cost was updated, which resulted in the recognition an additional expense of \$761,620.

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

Total OPEB Liability – As noted in the governmental activities section, the City reported an overall TOL of \$18,207,822. The TOL related to business type activities is \$2,080,624. The current portion of the TOL for business type activities is \$197,447.

Net Pension Liability – As per GASB 68 the City is required to report a proportionate share of the State's pension liability from the PERS 1, 2 and 3, and from LEOFF 1 and 2 State Pension Plans. PERS plans have Net Pension Liabilities (NPL) that are reflected in the table on the following page. The City's share of the Net Pension Liability for PERS 1, 2 and 3 is \$10,188,534, of which \$5,024,498 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 ongoing commitments. LID 193 Saint St is in the Special Assessment Debt Service Fund. As of December 31, 2020, the City's debt for this LID is \$2,391. 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, 2020:

SCHEDULE OF LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES								
REVENUE BONDS								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2020	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/20	DUE WITHIN ONE YEAR
2013 A Electric Revenue Refunding	0.50%-2.50%	11/1/2020	925,000	365,000		365,000	-	-
2013 B Electric Revenue- Capital Improvement and Refunding	2.00%-5.00%	11/1/2042	19,455,000	16,080,000		615,000	15,465,000	635,000
2015 Electric Utility Revenue Bonds	2.00%-4.75%	11/1/2045	19,435,000	19,220,000		385,000	18,835,000	455,000
2018 Electric Revenue Improvement & Refunding	3.00%-5.00%	11/1/2047	19,800,000	18,480,000		1,385,000	17,095,000	1,775,000
2019A Electric Revenue Improvement & Refunding	4.00%-5.00%	11/1/2044	12,525,000	12,525,000		295,000	12,230,000	255,000
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	3,025,000		1,475,000	1,550,000	1,550,000
2012 Water Wastewater Improvement & Refunding	2.00%-4.00%	11/1/2034	7,540,000	5,815,000		315,000	5,500,000	330,000
2014 Waterworks Revenue & Refunding	2.00%-4.00%	11/1/2023	9,985,000	5,645,000		1,510,000	4,135,000	1,565,000
2017 Wasteworks Utility Revenue & Refunding Bonds	2.00%-5.00%	11/1/2042	12,455,000	12,320,000		105,000	12,215,000	105,000
TOTAL REVENUE BONDED DEBT							90,170,000	6,670,000
GENERAL OBLIGATION DEBT ISSUED FOR BUSINESS-TYPE ACTIVITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2020	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/20	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1998 LTGO Refund, 1996 Golf Course Ref)	2.00% - 4.30%	12/1/2039	4,460,000	3,560,000		115,000	3,445,000	120,000
2013A LTGO - Broadband Portion to construct a fiber optic structure to support communications network	1.125%-4.00%	12/1/2037	1,200,000	1,200,000		-	1,200,000	-
2013B LTGO - Broadband Portion to construct a fiber optic structure to support communications network	0.38%-3.50%	12/1/2027	1,165,000	660,000		80,000	580,000	80,000
TOTAL GENERAL OBLIGATION BONDED DEBT FOR BUSINESS-TYPE ACTIVITIES							5,225,000	200,000

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OTHER BUSINESS-TYPE LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2020	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/20	DUE WITHIN ONE YEAR
PWTF #Pw-00-691-047 Water Leak Program (Replace Aging Water Lines)	1.00%	7/1/2020	6,432,914	339,397		339,397	-	-
PWTF #Pw-03-691-020 Water Main Replacement	0.50%	7/1/2023	8,755,000	2,026,645		506,661	1,519,984	506,661
DWSRF Loan #02-65102-039 Rohld Wellfield Disinfection	1.00%	10/1/2023	1,984,802	464,521		116,130	348,391	116,130
DWSRF Loan #02-65102-040 Rohld Wellfield Capacity	1.00%	10/1/2023	978,117	230,145		57,536	172,609	57,536
DWSRF Loan #03-65103-045 Badger Mountain Pump Station	1.50%	10/1/2024	580,000	181,250		36,250	145,000	36,250
DWSRF Loan #DM09-952-029 Horn Rapids Water Reservoir	1.50%	10/1/2029	3,030,000	1,605,158		160,516	1,444,642	160,516
DWSR Loan #DWL23484	1.00%	10/1/2043	60,993	-	219,523	1,326	218,197	4,217
#L1400029 Dept. of Ecology Loan for Decant Facility Retrofit & Relocation	1.10%	6/30/2020	400,258	45,618		45,618	-	-
Dept of Ecology Loan #L97000040 for Development of Stormwater Comprehensive Plan	4.30%	3/1/2024	145,776	45,783		9,430	36,353	9,840
Dept. of Ecology Recovery Act Loan L1000013 Aeration Basin Project Wastewater	2.90%	5/27/2031	1,538,338	997,480		74,161	923,319	76,340
HAEIF Loan #58-01-01 - Broadband Fund -Fiber Network	3.00%	7/1/2021	200,000	42,427		30,787	11,640	11,640
Landfill Compactor Lease (Q000106371-7)	4.95%	5/17/2023	312,046	253,336	260,000	60,559	452,777	62,409
Landfill Dozer Lease	3.85%	4/20/2027	229,405	-	229,405	37,317	192,088	29,069
Landfill Articulated Truck Lease	3.85%	4/20/2026	137,038	-	137,038	26,126	110,912	20,539
PC20-96103-049 Solid Waste Public Works Loan	1.58%	6/1/2034	34,560	34,560	3,540,951	-	3,575,511	-
Liability for Landfill Closure			N/A	6,725,634	1,114,629	-	7,840,263	-
Compensated Absences			N/A	2,079,540	2,477,287	2,167,441	2,389,386	1,194,693
Net Pension Liability- State PERS/LEOFF Plans			N/A	5,213,158		188,660	5,024,498	-
Total OPEB Liability - City Post Emp Healthcare			N/A	2,379,429		298,805	2,080,624	197,447
Capital Lease #001-00539-2363615-9001 Zion Bank, Wildland Brush			343,464	42,213		42,213	-	-
Capital Lease #202415000 - 2017 Pierce Enforcer Pumper Truck			632,812	391,178		126,445	264,733	130,353
TOTAL OTHER BUSINESS-TYPE LIABILITIES							26,750,928	2,613,640
TOTAL BUSINESS-TYPE LIABILITIES							122,145,928	9,483,640

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, 2020, the amount reported in the Statement of Net Position as bonds payable is as follows:

BONDED DEBT	ELECTRIC	WATER	SEWER	STORM-WATER	*GOLF COURSE	*BROADBAND	TOTAL
Current Portion	\$ 3,120,000	\$ 1,987,100	\$ 1,537,900	\$ 25,000	\$ 120,000	\$ 80,000	\$ 6,870,000
Long-Term Portion	\$ 63,650,000	\$ 11,869,937	\$ 7,285,064	\$ 695,000	\$ 3,325,000	\$ 1,700,000	\$ 88,525,000
Net unamortized premiums and discounts	\$ 6,647,368	\$ 1,418,697	\$ 950,774	\$ 95,230	\$ 49,958	\$ (25,187)	\$ 9,136,840
Net Long-Term Portion	\$ 70,297,368	\$ 13,288,634	\$ 8,235,838	\$ 790,230	\$ 3,374,958	\$ 1,674,813	\$ 97,661,840
Total Reported Liability	\$ 73,417,368	\$ 15,275,734	\$ 9,773,738	\$ 815,230	\$ 3,494,958	\$ 1,754,813	\$ 104,531,840

*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, 2020 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
2021	\$ 8,091,500	\$ 4,328,110	\$ 12,419,610
2022	\$ 6,925,361	\$ 4,014,110	\$ 10,939,471
2023	\$ 5,267,613	\$ 3,753,300	\$ 9,026,913
2024	\$ 3,640,472	\$ 3,582,785	\$ 7,223,257
2025	\$ 3,961,727	\$ 3,442,886	\$ 7,404,613
2026-2030	\$ 21,857,404	\$ 14,675,679	\$ 36,533,083
2031-2035	\$ 24,266,014	\$ 9,968,854	\$ 34,234,868
2036-2040	\$ 19,155,203	\$ 5,041,324	\$ 24,196,527
2041-2045	\$ 11,440,351	\$ 1,514,735	\$ 12,955,086
2046-2047	\$ 630,000	\$ 35,625	\$ 665,625
TOTAL	\$ 105,235,645	\$ 50,363,408	\$ 155,599,053

The following table presents parity debt for water, sewer, and stormwater funds. Bonds that are parity with 2017 Waterworks Utility and Revenue Bonds include 2009 Water/Sewer Improvement & Refunding Bonds, 2012 Water Wastewater Improvement & Refunding Bonds, and 2014 Waterworks Revenue & Refunding Bonds.

Table for Waterworks (Water, Sewer, Stormwater) Parity Debt									
	2020	2019	2018	2017	2016	2015	2014	2013	2012
Gross Revenue	30,808,861	30,133,044	29,452,312	28,016,663	27,676,910	26,871,768	26,116,348	25,341,395	24,420,238
Less Operating Expenses	14,297,040	13,442,659	13,746,283	13,344,677	15,268,317	13,517,407	13,224,346	13,159,683	12,545,694
Net Amount Available For Debt Service	16,511,821	16,690,385	15,706,029	14,671,986	12,408,593	13,354,361	12,892,002	12,181,712	11,874,544
Total Annual Debt Service	4,553,150	4,645,100	4,664,300	4,320,347	4,185,638	4,188,047	3,332,256	4,439,800	4,449,689
Water/Sewer Debt Coverage	3.63	3.59	3.37	3.40	2.96	3.19	3.87	2.74	2.67

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

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

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

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

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

PTO is accrued when incurred in the government-wide and proprietary fund financial statements. PTO, which may be accumulated up to 500 hours for PERS 1 employees and 800 hours for PERS 2 and 3 employees, is payable upon resignation, retirement or death. On December 31, 2020, the City’s accrued vacation, PTO and sick leave amounted to \$6,373,476. This amount includes \$598,652 of internal services funds that are allocated within the business-type activities.

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

NOTE 5. FINANCIAL GUARANTEES AND PLEDGED REVENUES

In 2015 the City worked with the Richland Public Facility District (PFD) to complete a current refunding of \$5,280,000 of the PFD’s outstanding 2004 limited tax general obligation bonds. The City was involved in the refunding because debt service on the 2004 bonds was guaranteed by the City through a “Contingent Loan Agreement”, dated January 13, 2004, between the City and the PFD, whereby the City irrevocably pledged its full faith, credit and resources to make loans to the PFD in the event that the PFD could not meet the payments on the bonds. The City agreed to a new contingent loan agreement with the PFD to offer the same guarantee for the 2015 bond issue. The obligation of the City to make loans to the PFD for debt service shall terminate upon payment in full of the principal and interest on all outstanding bonds. The repayment terms of the loan agreement mandate repayment of interest and principal to the City from available pledged revenues of the PFD. To date all scheduled bond payments of principal and interest have been paid by the PFD and the City has not made loans to the PFD. Based on projections of the PFD’s pledged revenues, the City does not anticipate that it will be necessary to make loans to the district. As of December 31, 2020, the outstanding principal of the PFD’s 2015 General Obligation refunding bonds is \$3,665,000.

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 2020, 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 17.5% and 25.9%, respectively.

NOTE 6. LEASE COMMITMENTS

Operating Leases - The City has utilized an operating lease as a competitive alternative for purchasing and maintaining certain equipment. Currently, the City has an operating lease for a Pitney Bowes Inserter/Postage machine. Total cost for this lease was \$33,376 for year ended December 31, 2020.

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

OPERATING LEASE		
YEAR	Pitney Bowes Sorter/Inserter Postage	TOTAL LEASE PAYMENTS PER YEAR
2020	33,376	33,376
TOTAL	\$ 33,376	\$ 33,376

Capital Leases - The City utilized lease agreements to finance certain pieces of equipment. These leases qualify as capital leases for accounting purposes, therefore they have been recorded at the present value of their future minimum lease payments as of the inception date. There were four active capital leases as of December 31, 2020.

Assets acquired through capital leases are as follows:

LEASED ASSETS - BUSINESS-TYPE ACTIVITIES	
ENFORCER PUMPER TRUCK	632,479
CATAPILLER COMPACTOR	746,241
CATAPILLER D6R DOZER	354,601
CATAPILLER ARTICULATED TRUCK	359,210
LESS ACCUMULATED DEPRECIATION	(275,744)
TOTAL	\$ 1,816,788

The future minimum lease obligation and the net present value for these minimum lease payments as of December 31, 2020, were as follows:

CAPITAL LEASES - BUSINESS-TYPE ACTIVITIES					
YEAR	ENFORCER PUMPER TRUCK	CATAPILLER COMPACTOR	CATAPILLER D6R DOZER	ARTICULATED TRUCK	TOTAL LEASE PAYMENTS PER YEAR
2021	138,533	80,909	41,854	33,279	294,575
2022	138,533	80,909	41,854	33,279	294,575
2023		340,909	41,854	33,279	416,042
2024			41,854	33,279	75,133
2025			41,854	33,279	75,133
2026			41,854		41,854
TOTAL MINIMUM LEASE PAYMENTS	\$ 277,066	\$ 502,727	\$ 251,126	\$ 166,394	1,197,314
LESS: INTEREST	(12,333)	(49,950)	(59,038)	(55,483)	(176,804)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 264,733	\$ 452,777	\$ 192,088	\$ 110,912	\$ 1,020,510

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NOTE 7. INTERFUND TRANSFERS

The following table provides a summary of interfund transfers for the year ended December 31, 2020.

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	\$ -	\$ 930,000	\$ -	\$ 2,487,444	\$ -	\$ 605,000	\$ 13,792	\$ 4,036,237
Other Governmental Funds	283,812	4,919,126	-	3,550,054	-	36,464	1,420,336	10,209,791
Major Enterprise Funds	-	-	-	-	-	55,000	21,758	76,758
Other Enterprise Funds	-	-	-	443,504	-	-	45,000	488,504
Total	\$ 283,812	\$ 5,849,126	\$ -	\$ 6,481,002	\$ -	\$ 696,464	\$ 1,500,886	\$ 14,811,289

In 2020, the City's enterprise operations paid a total of \$10,427,878.39 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	Fire St 75 Const	Medical Services	
General Fund		\$ -	\$ 1,426,149	\$ -	\$ 550,000	\$ 1,976,149
Other Governmental Funds	Transportation Benefit District	-	57,261	-	-	57,261
	Criminal Justice	66,564	-	-	-	66,564
Other Enterprise Funds	Medical Services	-	-	420,000	-	420,000
Total		\$ 66,564	\$ 1,483,410	\$ -	\$ 550,000	\$ 2,519,974

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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				Major Enterprise 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	Electric	Golf Course	Broadband	Equipment Replacement	
General Fund		\$ -	\$ 930,000	\$ -	\$ -	\$ 704,390	\$ 356,905	\$ -	\$ -	\$ -	\$ -	\$ 55,000	\$ 13,792	\$ 2,060,088
Other Governmental Funds	Streets	-	-	-	-	-	-	-	-	-	-	-	275,000	275,000
	Transportation Benefit District	-	855,000	-	-	-	-	-	-	-	-	-	-	855,000
	Park Reserve	40,000	-	-	-	69,405	-	-	893,456	-	-	-	-	1,002,861
	Industrial Development	-	1,552,680	-	-	-	-	-	-	-	-	36,464	-	1,589,144
	Public Safety Sales Tax	-	-	-	-	-	-	-	10,000	-	-	-	-	10,000
	Hotel/Motel Tax	177,248	-	-	-	-	-	-	476,455	-	-	-	-	653,702
	CDBG	-	361,246	-	-	-	-	-	75,000	-	-	-	-	436,246
	Special Assessment Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-
	Capital Improvement	-	2,150,200	-	33,754	719,723	-	-	1,215,000	-	-	-	1,145,336	5,264,013
Electric Fund		-	-	-	-	-	-	-	-	-	-	30,000	-	30,000
Water Fund		-	-	-	-	-	-	-	-	-	-	20,000	21,758	41,758
Sewer Fund		-	-	-	-	-	-	-	-	-	-	5,000	-	5,000
Other Enterprise Funds	Broadband	-	-	-	-	23,504	-	-	-	-	-	-	45,000	68,504
Total		\$ 217,248	\$ 5,849,126	\$ -	\$ 33,754	\$ 1,517,022	\$ 356,905	\$ -	\$ 2,669,911	\$ -	\$ -	\$ 146,464	\$ 1,500,886	\$ 12,291,315

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 162 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 \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

The City of Richland paid \$1,271,971 in premiums for coverage in 2020.

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 \$735,627 in 2020, of which \$56,280 was allocated to retiree coverage in the Post-employment Healthcare Plan. Vision coverage is provided by Vision Service Plan. The City accounts for all of these activities in an internal service fund, the Employee Benefits Fund. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier.

Medical, dental and vision coverage requires all claims to be submitted and paid within one year of the service date. Due to the short time frame, liabilities for outstanding payments have not been discounted. There have been no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. All City healthcare claims are processed through this fund and monthly journal entries are completed to move retiree claims to the Post Employment Healthcare Plan Fund. The City records estimates of incurred but not reported claims as an expense offset by liability for estimated claims payments. The basis for estimating liabilities for unpaid claims and administrative expense is based on an average of the prior 24 months of fund expense. The fund maintains a reserve for estimated claims outstanding at year end and the related administrative expense. The reserve was increased by \$371,200 in 2020 and is based on an estimated sixteen weeks of fund expense.

As of December 31, 2020, the estimated claims reserve has \$2,611,200 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 2018 through 2020:

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
2020	2,240,000	8,858,502	371,200	9,229,702	2,611,200
2019	2,369,000	8,076,506	(129,000)	7,947,506	2,240,000
2018	3,106,822	9,497,828	(737,822)	8,760,006	2,369,000

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

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

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

Unemployment claims are self-insured with the City retaining all risk for claims. Workers' Compensation and Unemployment activities are accounted for in the Workers' Compensation and Unemployment internal service funds, respectively. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier. The basis for estimating liabilities for unpaid claims is based on an analysis of the subsequent year's claims processed for activities incurred in the current year. There are no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. The Workers' Compensation Fund and Unemployment Fund have \$52,100 and \$12,969, 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 2018 through 2020:

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
2020	78,852	385,832	(26,752)	385,832	52,100
2019	119,687	430,557	(40,835)	430,557	78,852
2018	130,157	825,286	(10,470)	825,286	119,687
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
2020	26,825	51,877	(13,856)	51,877	12,969
2019	24,418	73,909	2,408	73,909	26,825
2018	21,470	61,167	2,938	61,167	24,418

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 2020:

Aggregate OPEB Amounts - All Plans	
OPEB Liabilities	\$ (18,207,822)
Deferred Outflows of Resources	1,078,833
Deferred Inflows of Resources	(1,078,480)
OPEB Expenses/Expenditures	(13,446,962)

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

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

Changes to the Plan

The OPEB plan was closed to new participants December 31, 2012. In an effort to reduce the size and scope of the plan, the City offered active participants an opportunity to opt out of the existing plan and receive a contribution to a Retiree Health Savings (RHS) account equal to 1% of annual salary for each year in the plan since 2003. The City will continue to fund the RHS accounts with a 1% salary contribution annually and the 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	2020
Active Participants	293	219	146	131	123	114	105	92
Retirees & Beneficiaries	91	84	82	86	78	57	62	40
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 ¹⁻ Contributed to Fund 522 ²⁻ Contributed to employee RHS Plan	Second Payroll in January Mandatory PTO Buy Out to Transfer to RHS If PTO Balance 400-599 Hours	Second Payroll in January Mandatory PTO Buy Out to Transfer to RHS If PTO Balance 600-800 Hours
¹ Existing Emp - OPEB Plan	1% Salary	\$10,000 Annual	20 Hours	40 Hours
² New Employee in RHS	1% Salary	1% Salary	20 Hours	40 Hours
² Existing Employee Opted out of OPEB Plan to RHS	1/2% Salary	1% Salary	20 Hours	40 Hours

Contributions

The Post-Employment Health Insurance Program is funded on a "pay as you go" basis. The City pays benefits as they come due. There are no assets in a qualifying trust.

Total OPEB Liability

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

Changes in the Total OPEB Liability	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2019	\$ 10,047,417
Changes for the year:	
Service Cost	357,678
Interest	274,039
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(324,882)
Changes of Assumptions	(156,493)
Contributions	-
Employer - City's Contributions	-
Employer - Implicit Subsidy	-
Employee	-
Net Investment Income	-
Benefit Payments	(606,428)
Implicit Rate Subsidy Fulfilled	(273,646)
Other Miscellaneous Income/(Expense)	-
Net Changes	(729,732)
Balance as of Report Date December 31, 2020	<u>\$ 9,317,685</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>Dec 31, 2019</u>	<u>Dec 31, 2020</u>
	<u>Measurement</u>	<u>Measurement</u>
	<u>Date</u>	<u>Date</u>
Discount Rate	2.75%	2.00%
Inflation	2.50%	2.75%
Healthcare Cost Trend Rates	6.00%	7.00%
Salary Increases	3.00%	3.50%

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.
- Experience studies come from the State of Washington 2018 study.
- Inactive employees (retirees) pay 50% of the cost of benefits.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

Discount Rate

The discount rate used to measure the total OPEB liability is 2.00%. 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 (1.00%) or one percentage point higher (3.00%) follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.00%</u>	<u>2.00%</u>	<u>3.00%</u>
Total OPEB Liability (Asset)	\$ 9,839,550	\$ 9,317,685	\$ 8,811,691
Increase (Decrease)	521,865		(505,994)
% Change	5.6%		-5.4%

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

The healthcare trend for this valuation started at 7.00% and decreased to 4.04% over 54 years. 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 (6.00%) or one percentage point higher (8.00%) than current healthcare cost trend rates follows:

	1% Decrease	Trend Rate	1% Increase
	6.00%	7.00%	8.00%
Total OPEB Liability (Asset)	\$ 8,564,668	\$ 9,317,685	\$ 10,175,678
Increase (Decrease)	(753,017)		857,993
% Change	-8.1%		9.2%

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

For the year ended December 31, 2020, the City recognized an OPEB expense of \$673,272. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences Between Actual and Expected Experience	\$ 130,259	\$ (670,153)
Changes of Assumptions	948,574	(408,327)
City Contributions Subsequent to the Measurement Date	-	-
Total	\$ 1,078,833	\$ (1,078,480)

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>
2021 \$	41,555
2022	41,555
2023	41,555
2024	(3,183)
2025	(98,214)
Remaining	(22,915)

Current Liability

	<u>Amount</u>
Current OPEB Liability	884,231
Non-Current OPEB Liability	8,433,454
Total OPEB Liability	<u>9,317,685</u>

Expected Average Service Lives (EARSL)

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

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

Plan Description

The City of Richland provides postemployment health care benefits via two single employer defined benefit OPEB plans in accordance with State statute for retired police officers and firefighters who are eligible under the Law Enforcement Officers' and Firefighters (LEOFF 1) plan retirement system. The LEOFF 1 OPEB plans for Police and Fire are administered by the Police and Fire Pension plans discussed in more detail in Note 10.

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

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

Contributions

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

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, 2020, and was used to calculate the total OPEB liability measured as of December 31, 2020.

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2019	December 31, 2020
Discount Rate	2.75%	2.00%
Inflation	2.50%	2.75%
Healthcare Cost Trend Rates		
Pre-Medicare	6.00%	7.00% *
Medicare	5.50%	5.40% *
Salary Increases	n/a	n/a
Mortality Rates	Based on SOA tables	

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the State of Washington 2018 study.
- Inactive employees (retirees) pay 0% of the cost of benefits.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

- There were large decreases in liability due to (1) actuaries discovering that the medical costs included long-term care costs and (2) lower than expected claim costs due to COVID.

* Trending down to 4.04% over 54 years. Applies to calendar years.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.00%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Basis of Accounting

The fund financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. The City's contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan and all plan investments are reported at fair market value as of December 31, 2020.

Funding Policy

The City does not require retiree contributions. All fire and police Pension funding is reported in the General Fund in the City's financial statements. These funds provide for both OPEB and pension benefits to LEOFF 1 employees. Contributions for the fire plan are derived from an annual property tax levy of up to \$ 0.2250 per \$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 2020:

Changes in the Total OPEB Liability (LEOFF 1 Fire)	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2019	\$ 8,820,142
Changes for the year:	
Service Cost	-
Interest	239,004
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(4,458,187)
Changes of Assumptions	(303,484)
Benefit Payments	(258,179)
Implicit Rate Subsidy Fulfilled	-
Other Miscellaneous Expenses	-
Net Changes	(4,780,846)
Balance as of Report Date December 31, 2020	\$ 4,039,296

Changes in the Total OPEB Liability (LEOFF 1 Police)	Total OPEB Liability Increases (Decreases)
Balance as of Report Date December 31, 2019	\$ 14,696,661
Changes for the year:	
Service Cost	-
Interest	400,745
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(9,522,508)
Changes of Assumptions	(475,804)
Benefit Payments	(248,253)
Implicit Rate Subsidy Fulfilled	-
Other Miscellaneous Income/(Expenses)	-
Net Changes	(9,845,820)
Balance as of Report Date December 31, 2020	\$ 4,850,841

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 (1.00%) or one percentage point higher (3.00%) follows:

LEOFF 1 Fire	1% Decrease	Discount Rate	1% Increase
	1.00%	2.00%	3.00%
Total OPEB Liability (Asset)	\$ 4,488,802	\$ 4,039,296	\$ 3,659,503
Increase (Decrease)	449,506		(379,793)
% Change	11.1%		-9.4%

LEOFF 1 Police	1% Decrease	Discount Rate	1% Increase
	1.00%	2.00%	3.00%
Total OPEB Liability (Asset)	\$ 5,382,585	\$ 4,850,841	\$ 4,398,561
Increase (Decrease)	531,744		(452,280)
% Change	11.0%		-9.3%

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

The healthcare trend for this valuation started at 7.00% and decreased to 4.04% over 54 years. 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 (6.00%) or one percentage point higher (8.00%) than current healthcare cost trend rates follows:

LEOFF 1 Fire	1% Decrease	Trend Rate	1% Increase
	6.00%	7.00%	8.00%
Total OPEB Liability (Asset)	\$ 3,682,522	\$ 4,039,296	\$ 4,450,986
Increase (Decrease)	(356,774)		411,690
% Change	-8.8%		10.2%

LEOFF 1 Police	1% Decrease	Trend Rate	1% Increase
	6.00%	7.00%	8.00%
Total OPEB Liability (Asset)	\$ 4,425,928	\$ 4,850,841	\$ 5,337,914
Increase (Decrease)	(424,913)		487,073
% Change	-8.8%		10.0%

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, 2020, the LEOFF 1 Fire and LEOFF 1 Police recognized OPEB expense of (\$4,522,667) and (\$9,597,567) respectively. At December 31, 2020, 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 2020:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (15,041,376)
Pension assets	\$ 10,781,422
Deferred outflows of resources	\$ 5,299,716
Deferred inflows of resources	\$ (5,025,845)
Pension expense/expenditures	\$ 226,888

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS 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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee
January - August 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September - December 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

PERS 2 and 3

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

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

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

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

Contributions – PERS 2/3 - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer	Employee
January - August 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.86%	7.90%
September - December 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.97%	7.90%

The City's actual PERS plan contributions were \$1,437,901 to PERS Plan 1 and \$2,375,815 to PERS Plan 2/3 for the year ended December 31, 2020.

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 state contribution rate (expressed as a percentage of covered payroll) was 3.44% in 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January - December 2020:		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
January - December 2020:		
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%

The City's actual contributions to the plan were \$817,869 for the year ended December 31, 2020.

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, 2020, the State contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$522,965.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Experience Study and the 2019 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational

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

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, 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	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	28.70%

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.

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 8,664,686	\$ 6,917,599	\$ 5,393,959
PERS 2/3	20,352,634	3,270,935	(10,795,853)
LEOFF 1	(1,954,133)	(2,400,805)	(2,787,252)
LEOFF 2	(165,911)	(8,380,618)	(15,106,824)

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, 2020, the City reported a total pension liability of \$10,188,534 and a total pension asset of (\$10,781,423) for its proportionate share of the net pension liabilities as follows:

Plan	Liability (Asset)
PERS 1	\$ 6,917,599
PERS 2/3	3,270,935
LEOFF 1	(2,400,805)
LEOFF 2	(8,380,618)

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

Proportionate Share	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (2,400,805)	\$ (8,380,618)
State's proportionate share of the net pension asset associated with the employer	(16,238,984)	(5,358,770)
Total	(18,639,789)	(13,739,388)

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

Plans	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.207529%	0.195936%	-0.011593%
PERS 2/3	0.267892%	0.255753%	-0.012139%
LEOFF 1	0.129806%	0.127127%	-0.002679%
LEOFF 2	0.432599%	0.410844%	-0.021755%

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 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2020, 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 2020, the State of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the City recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ (137,528)
PERS 2/3	216,200
LEOFF 1	(75,925)
LEOFF 2	346,579
Total	349,326

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Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS PLAN 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(38,515)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	723,073	-
TOTAL	723,073	(38,515)

PERS PLAN 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,170,947	\$ (409,926)
Net difference between projected and actual investment earnings on pension plan investments	-	(166,116)
Changes of assumptions	46,587	(2,234,332)
Changes in proportion and differences between contributions and proportionate share of contributions	84,304	(541,357)
Contributions subsequent to the measurement date	1,186,402	-
TOTAL	2,488,240	(3,351,731)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(25,112)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	(25,112)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,159,597	\$ (148,638)
Net difference between projected and actual investment earnings on pension plan investments	-	(93,409)
Changes of assumptions	12,141	(1,297,691)
Changes in proportion and differences between contributions and proportionate share of contributions	506,548	(70,749)
Contributions subsequent to the measurement date	410,115	-
TOTAL	2,088,401	(1,610,487)

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,330,544	\$ (558,564)
Net difference between projected and actual investment earnings on pension plan investments	-	(323,152)
Changes of assumptions	58,728	(3,532,023)
Changes in proportion and differences between contributions and proportionate share of contributions	590,852	(612,106)
Contributions subsequent to the measurement date	2,319,590	-
TOTAL	5,299,714	(5,025,845)

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, 2021. 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
2021	\$ (174,780)	\$ (1,463,231)	\$ (89,643)	\$ (614,736)
2022	(5,497)	(430,417)	(4,673)	(26,238)
2023	53,330	(47,853)	25,484	180,718
2024	88,432	243,214	43,721	337,084
2025		(151,509)		353
Thereafter		(200,096)		190,619

Firefighter's Pension Plan

Plan Description

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

Benefits Provided

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

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

Employees covered by benefit terms

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

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

Contributions

The City pays benefits as they come due (pay-as-you-go). Therefore there is no set contribution rate. The agency does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board. Contributions for the reporting period were \$117,985.

Financial Report

The City issues a stand-alone financial report that is available to the public. The report is available on the City's website at <https://www.ci.richland.wa.us/departments/administrative-services/finance/budget-capital-improvement-plan-cip>

Net Pension Liability

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

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2019	December 31, 2020
Discount Rate	2.75%	2.00%
Inflation	2.50%	2.75%
Salary Increases	3.00%	3.50% Used to project total benefit increases
Mortality Rates	Mortality rates were based on SOA tables.	

- Experience studies come from the State of Washington.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

Discount Rate

Fidelity municipal government-obligation AA-rated 20-year bond index rate was used for the discount rate. The selected rate was 2.00%.

Expected Average Remaining Service Lives (EARSL)

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period is 1.0 year.

Changes in the Net Pension Liability (Fire Pension Fund)

Changes in Net Pension Liability (LEOFF 1 Fire)	Increase/(Decrease) Net Pension Liability
Balance as of Report Date December 31, 2019	\$ 1,696,538
Changes for the year:	
Service Cost	-
Interest	45,033
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(288,009)
Changes of Assumptions	228,116
Benefit Payments	(117,985)
Other Miscellaneous Expenses	-
Net Changes	(132,845)
Balance as of Report Date December 31, 2020	<u>\$ 1,563,693</u>

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 (1.00%) or one percentage point higher (3.00%) follows:

	1% Decrease 1.00%	Current Rate 2.00%	1% Increase 3.00%
Net Pension Liability (Asset)	\$ 1,693,751	\$ 1,563,693	\$ 1,450,053
Increase (Decrease)	130,058		(113,640)
% Change	8.3%		-7.3%

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

For the year ended December 31, 2020, the City recognized pension expense related to fire pension of (\$14,860), 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, 2020 (the census date), the benefit terms covered the following employees:

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

Contributions

The City pays benefits as they become due (pay-as-you-go). Therefore there is no set contribution rate. The agency does not accumulate assets in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board. Contributions for the reporting period were \$203,468.

Financial Report

The City issues a stand-alone financial report that is available to the public. The report is available at ci.richland.wa.us/departments/administrative-services/finance/current-and-prior-year-reports.

Net Pension Liability

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

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2019	December 31, 2020
Discount Rate	2.75%	2.00%
Inflation	2.50%	2.75%
Salary Increases	3.00%	3.50% Used to project total benefit increases
Mortality Rates	Mortality rates were based on SOA tables.	

- Experience studies come from the State of Washington.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

Discount Rate

Fidelity municipal government-obligation AA-rated 20-year bond index rate was used for the discount rate. The selected rate was 2.00%.

Expected Average Remaining Service Lives (EARSL)

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period is 1.0 year.

Changes in the Net Pension Liability (Police Pension Fund)

Changes in Net Pension Liability (LEOFF 1 Police)	Increase/(Decrease) Net Pension Liability
Balance as of Report Date December 31, 2019	\$ 3,600,194
Changes for the year:	
Service Cost	-
Interest	96,207
Changes of Benefit Terms	-
Differences Between Expected & Actual Experience	(532,265)
Changes of Assumptions	328,481
Benefit Payments	(203,468)
Other Miscellaneous Expenses	-
Net Changes	(311,045)
Balance as of Report Date December 31, 2020	<u>\$ 3,289,149</u>

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 (1.00%) or one percentage point higher (3.00%) follows:

	1% Decrease	Current Rate	1% Increase
	1.00%	2.00%	3.00%
Net Pension Liability (Asset)	\$ 3,618,926	\$ 3,289,149	\$ 3,006,260
Increase (Decrease)	329,777		(282,889)
% Change	10.0%		-8.6%

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

For the year ended December 31, 2020, the City recognized pension expense related to police pension of (\$107,577), 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 has traditionally purchased its wholesale electric power (energy and capacity) requirements from the Bonneville Power Administration (BPA) for resale to its retail customers. BPA, one of four, Federal Power Marketing Administrations (PMA), sells power output from the Federal Columbia River

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

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

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

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

NOTE 12. CONTINGENCIES AND LITIGATIONS

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

Based upon current evaluation of the lawsuits, the City's legal counsel indicates that the City's exposure does not exceed the amount of reserves available for payment. The City is currently actively defending five lawsuits, one involving an allegation of wrongful termination, three involving allegations of negligence/personal injury (two of which are 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. COVID-19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City budgets conservatively and maintains appropriate reserves to help mitigate economic fluctuations and unforeseen events. At this time, there are no known material financial or operational impacts to the City as a result of the COVID-19 pandemic.

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

NOTE 14. SERVICE CONCESSION ARRANGEMENTS

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

Horn Rapids Off-Road Vehicle (ORV) Park

In 2007 the City entered into an agreement with HRMC, Inc. (HRMC), under which HRMC operates and collects user fees from the Horn Rapids ORV Park for a five-year term, renewable for three additional five-year terms. 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 \$3,664,855 at year end, and reports a deferred inflow of resources in the amount of \$2,229,800 related to the structures that have been constructed by HRMC.

NOTE 15. FUND BALANCE CLASSIFICATION

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

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

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City of Richland, Washington
Annual Comprehensive Financial Report
Notes to the Financial Statements
For the Year Ended December 31, 2020

Purpose of Restricted, Committed and Assigned Fund Balance, as displayed on the Governmental Funds Balance sheet (Other than debt service)		
Balance Sheet Description	Amount	Purpose
Restricted For:		
Capital Improvements	4,579,394	Real Estate Excise Tax restricted for capital improvements
	5,103,204	Fire Station 75 Construction
	2,969,290	Fire Station 73 Construction
	1,809,911	Acquisition and development of public open space (parks)
	30,845	Restricted by franchise agreement for cable broadcast equipment
	<u>14,492,645</u>	
Public Safety	1,630,496	Public Safety Sales/Criminal Justice Tax restricted to Criminal Justice purposes
	26,388	Police confiscations
	<u>1,656,884</u>	
Economic Environment	367,749	Contingency for performance of Hanford Reach Interpretive Center
	1,129,264	Lodging Tax proceeds restricted for tourism promotion
	925,012	HUD Program for owner occupies housing rehabilitation
	2,366,707	HUD Program for home down payment assistance
	1,374,137	Building Permit Proceeds - unspent
	<u>3,641</u>	Restricted for public art
	<u>6,166,511</u>	
Transportation	<u>299,201</u>	Transportation Improvement District tab fees for bridge & street improvements
	299,201	
Other Purposes	9,193	Administration of ICMA deferred compensation plans
	1,341,972	Fire/Police Pensions
	24,961	Police Operations
	<u>1,376,126</u>	
Committed For:		
Capital Improvements	452,951	Library capital improvements
	3,547,809	Park construction projects
	820,121	Streets construction projects
	48,053	Swift Blvd corridor/City Hall Improvements
	<u>4,868,935</u>	
Public Safety	9,729	Police Operations
	25,000	Police - Narcotics investigations
	60,539	Fire Equipment
	<u>95,268</u>	
Economic Environment	113,910	Commercial Improvement Program
	<u>3,822,553</u>	Industrial Development
	<u>3,936,463</u>	
Assigned To:		
Public Safety	51,630	Police operations and special projects
	6,235	Fire Department operations
	<u>57,865</u>	
Transportation	1,394,604	Construction of streets infrastructure
	<u>1,045,556</u>	Maintenance of streets and rail infrastructure
	<u>2,440,160</u>	

OTHER POST EMPLOYMENT BENEFITS

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

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

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

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PENSION PLANS

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

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

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

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY							
LEOFF RETIREMENT SYSTEM PLAN 1							
As of June 30, 2020							
Last 10 Fiscal Years*							
	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.127127%	0.129806%	0.129145%	0.128052%	0.126016%	0.125802%	0.125288%
Employer's proportionate share of the net pension liability	(2,400,805)	(2,565,760)	(2,344,630)	(1,942,831)	(1,298,325)	(1,516,192)	(1,519,482)
TOTAL	(2,400,805)	(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	N/A	-4125.19%	-2008.99%	-1651.75%
Plan fiduciary net position as a percentage of the total pension liability	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%	126.91%
Notes to Schedule:							
* Presenting information only for those years for which information is available up to 10 years							
** Covered payroll is the payroll on which contributions to a pension plan are based							

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY							
LEOFF RETIREMENT SYSTEM PLAN 2							
As of June 30, 2020							
Last 10 Fiscal Years*							
	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.410844%	0.432599%	0.442011%	0.439701%	0.450464%	0.411289%	0.417449%
Employer's proportionate share of the net pension liability	(8,380,618)	(10,021,991)	(8,973,787)	(6,101,625)	(2,620,034)	(4,227,228)	(5,539,728)
State's proportionate share of net pension liability (asset) associated with employer	(8,380,618)	(10,021,991)	(8,973,787)	(6,101,625)	(2,620,034)	(4,227,228)	(5,539,728)
TOTAL	-	-	-	-	-	-	-
Covered payroll**	15,580,281	14,984,568	14,593,802	13,754,625	13,646,421	11,937,074	11,617,276
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-53.79%	-66.88%	-61.49%	-44.36%	-19.20%	-35.41%	-47.69%
Plan fiduciary net position as a percentage of the total pension liability	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%
Notes to Schedule:							
* Presenting information only for those years for which information is available up to 10 years							
** Covered payroll is the payroll on which contributions to a pension plan are based							

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1												
As of December 31, 2020												
Last 10 Fiscal Years												
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011		
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ 35,334	\$ 48,941	\$ 67,823	\$ 78,321	\$ 96,187	\$ 91,766	\$ 61,134		
Contributions in relation to the statutorily or contractually required contributions*	-	-	-	(27,661)	(25,145)	(38,503)	(44,388)	(46,395)	(60,891)	(61,134)		
Contribution deficiency (excess)	-	-	-	7,673	23,796	29,320	33,933	49,792	30,875	-		
Covered payroll**	\$ 29,999,312	\$ 29,570,482	\$ 28,284,425	\$ 26,948,293	\$ 25,347,210	\$ 25,380,922	\$ 25,441,133	\$ 24,851,454	\$ 24,625,683	\$ 24,971,186		
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.13%	0.19%	0.27%	0.31%	0.39%	0.37%	0.24%		
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, 2020												
Last 10 Fiscal Years*												
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011		
Statutorily or contractually required contributions	\$ 3,867,716	\$ 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		
Contributions in relation to the statutorily or contractually required contributions	(3,867,716)	(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)		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-		
Covered payroll*	\$ 29,999,312	\$ 29,570,482	\$ 28,284,425	\$ 26,717,377	\$ 25,122,302	\$ 24,998,494	\$ 24,961,610	\$ 24,272,814	\$ 23,771,033	\$ 23,963,390		
Contributions as a percentage of covered payroll	12.89%	12.84%	12.74%	11.92%	11.18%	10.15%	9.22%	8.12%	7.19%	6.16%		
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, 2020												
Last 10 Fiscal Years*												
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011		
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 751	\$ 173	\$ 152	\$ 128	\$ 492		
Contributions in relation to the statutorily or contractually required contributions	-	-	-	-	(2)	(104)	(173)	(152)	(128)	(492)		
Contribution deficiency (excess)	-	-	-	-	-	647	-	-	-	-		
Covered payroll*	\$ -	\$ -	\$ -	\$ -	\$ 1,288	\$ 55,906	\$ 95,945	\$ 91,538	\$ 79,696	\$ 308,879		
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	0.16%	1.34%	0.18%	0.17%	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, 2020											
Last 10 Fiscal Years*											
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
Statutorily or contractually required contributions	\$ 846,412	\$ 821,637	\$ 801,359	\$ 761,005	\$ 701,584	\$ 664,997	\$ 636,501	\$ 604,541	\$ 588,359	\$ 559,758	
Contributions in relation to the statutorily or contractually required contributions	(846,412)	(821,637)	(801,359)	(761,005)	(701,584)	(664,997)	(636,501)	(603,710)	(588,359)	(559,452)	
Contribution deficiency (excess)	-	-	-	-	-	-	-	831	-	306	
Covered payroll*	\$15,857,451	\$ 15,151,138	\$ 14,648,249	\$14,266,819	\$13,414,604	\$12,715,703	\$12,167,241	\$11,539,641	\$11,231,020	\$10,694,925	
Contributions as a percentage of covered payroll	5.34%	5.42%	5.47%	5.33%	5.23%	5.23%	5.23%	5.24%	5.24%	5.23%	
Notes to Schedule											
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, 2020

Federal Agency (Pass-Through Agency)		Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster									
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-53- 0002	-	1,643	1,643	-	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-16-MC-53- 0002	-	23,595	23,595	-	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-17-MC-53- 0002	-	36,352	36,352	-	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	-	43,903	43,903	-	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	-	233,173	233,173	-	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-20-MC-53- 0002	-	160,913	160,913	-	1,2,3, 4	

The accompanying notes are an integral part of this schedule.

City of Richland
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-53- 0002	-	130,564	130,564	-	1,2,3, 4
Total CDBG - Entitlement Grants Cluster:				-	630,143	630,143	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-15-DC-53- 0202	-	36,519	36,519	36,519	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	-	319,309	319,309	319,309	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	-	144,845	144,845	144,845	1,2,3, 4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-20-DC-53- 0202	-	26,446	26,446	26,446	1,2,3, 4
Total CFDA 14.239:				-	527,119	527,119	527,119	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	N/A	-	6,026	6,026	-	1,2

The accompanying notes are an integral part of this schedule.

City of Richland
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington Assoc of Sheriffs and Police Chiefs)	Domestic Trafficking Victim Program	16.834	Pilot via CJTC	300	-	300	-	1,2
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	WA0030200- Asset Forfeiture Program	-	96,668	96,668	-	1,2
U.S. Dept of Justice (via FBI)	FBI- Tri-City Violent Crime Task Force (Gang)	16.U01	CRA-FY 2017 State and Local OT	4,233	-	4,233	-	1,2
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA ST DOT)	Highway Planning and Construction	20.205	STPUL-TAP 3504(002), LA- 9625	87,575	-	87,575	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA ST DOT)	Highway Planning and Construction	20.205	STPUL-3459 (001), LA-8252	280,728	-	280,728	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA ST DOT)	Highway Planning and Construction	20.205	NHPP-3475 (007), LA-9482	988,456	-	988,456	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA ST DOT)	Highway Planning and Construction	20.205	TAP-1080(008), LA-9933	1,124	-	1,124	-	1,2,4

The accompanying notes are an integral part of this schedule.

City of Richland
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA ST DOT)	Highway Planning and Construction	20.205	HSIP-000S (530), LA-9701	32,871	-	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA ST DOT)	Highway Planning and Construction	20.205	HSIP-3455 (001), LA-9704	45	-	-	1,2,4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA ST DOT)	Highway Planning and Construction	20.205	HSIP-000S (532), LA-9716	7,925	-	-	1,2,4
Total Highway Planning and Construction Cluster:				1,398,724	-	-	
Highway Safety Cluster							
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WTSC)	National Priority Safety Programs	20.616	2020-HVE-3774 Impaired Driving	4,969	-	-	1,2,4
Total Highway Safety Cluster:				4,969	-	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA ST Dept of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-302 & Amend A CV20302 Cares Act	2,558,250	-	-	1,2,4,
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA ST Office of Secretary of State)	COVID 19 - COVID-19 - Coronavirus Relief Fund	21.019	LSTA Cares Grant - Hotspot	4,881	-	-	1,2,4

The accompanying notes are an integral part of this schedule.

City of Richland
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA ST Office of the Secretary of State)	COVID 19 - Coronavirus Relief Fund	21.019	LSTA Cares Grant - PPE	3,000	-	3,000	-	1,2,4
Drinking Water State Revolving Fund Cluster				2,566,131	-	2,566,131	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via WA ST Dept of Health, Drinking Water State Revolving Fund Municipal)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	2017 LN - DWL23484, Contract No. 111-19	1,391,836	-	1,391,836	-	1,2,5
Total Drinking Water State Revolving Fund Cluster:				1,391,836	-	1,391,836	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via WA ST Dept of Ecology)	Environmental Remediation and Waste Processing and Disposal	81.104	IAA No. 2100022 C9900100	66,100	-	66,100	-	1,2,4
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via WA ST EMD)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E20-196	113,631	-	113,631	-	1,2,4, 6
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via WA ST EMD)	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E21-048	34,341	-	34,341	-	1,2,4, 6

The accompanying notes are an integral part of this schedule.

City of Richland
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 81.214:	147,972	-	147,972	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA ST Military Department)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	COVID-19 Donated Goods	359,024	-	359,024	-	7
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA ST EMD)	Emergency Management Performance Grants	97.042	E21-053	39,100	-	39,100	-	1,2,4, 6
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA ST EMD)	Emergency Management Performance Grants	97.042	E20-104	78,832	-	78,832	-	1,2,4, 6
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA ST EMD)	COVID 19 - Emergency Management Performance Grants	97.042	E20-253S	37,911	-	37,911	-	1,2,4, 6
			Total CFDA 97.042:	155,843	-	155,843	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via FEMA GO)	Assistance to Firefighters Grant	97.044	EMW-2018-FO- 02234	235,325	-	235,325	-	1,2,4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA ST EMD)	Homeland Security Grant Program	97.067	E20-067	84,137	-	84,137	84,137	1,2,4, 6

The accompanying notes are an integral part of this schedule.

City of Richland
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures				Note
					From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
	FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via FEMA GO)	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2018FH- 00280	468,531	-	468,531	-	1,2,4
	U.S. DEPARTMENT OF HOMELAND SECURITY, FEDERAL EMERGENCY MANAGEMENT AGENCY (via WA ST Military Department)	COVID 19 - Unknown Federal Source	97.U01	COVID-19 Donated Goods	14,515	-	14,515	-	7
Total Federal Awards Expended:					6,897,640	1,259,956	8,157,596	611,256	

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, 2020

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

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

NOTE 3 – REVOLVING LOAN - PROGRAM INCOME

The City has a revolving loan program for low income housing renovation within its CDBG program. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$50,000. These funds were disbursed from the revolving loan program income. The City uses the deductive method of reporting, so the expenses reported on the SEFA do not include these disbursements. The amount of principal and interest received in loan repayments for the year was \$97,679. Of this amount, \$55,177 will continue to build the revolving loan fund. The remaining \$42,502 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 \$92,502 in program income and revolving loan.

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

Under this program, repayments to the City are considered program revenues (income) and disbursement of funds are considered expenditures. In accordance with program guidelines, program income is to be used prior to drawing entitlement funds. The amount of expenditures reported on the SEFA for the HOME program are net of \$59,395 in program income. New loans are recorded as expenditures and tracked as a receivable in the HOME Fund.

NOTE 4 – PROGRAM COSTS

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

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

NOTE 5 – EPA DRINKING WATER STATE REVOLVING FUND LOAN

The City of Richland was approved by the EPA and the DOH to receive a loan totaling \$1,842,130 to improve the Lorayne J Drinking Water System. The amount listed for this loan include expenditures of \$44,289 from 2019 and \$1,347,547 of expenditures from 2020.

NOTE 6 – BENTON COUNTY EMERGENCY SERVICES (BCES) GRANTS

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

NOTE 7 – DONATED (BCES) Personal Protective Equipment (PPE)

The amount of donated Personal Protective Equipment (PPE) to Benton County Emergency Services received in 2020 was \$359,024, procured via the State using CFDA 97.036. BCES also received \$14,515 of donated PPE from an unknown CFDA federal source.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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