



**CITY OF RICHLAND, WASHINGTON**  
**Water Fund Financial Statements**

**For the Year Ended**  
**December 31, 2017**  
(Unaudited)

*Prepared by:*  
Administrative Services Department

**CITY OF RICHLAND~Water Fund~For the Period ending 12/31/17**

**STATEMENT OF NET POSITION**

**ASSETS**

<i>Current:</i>	
Cash & equivalents	
Unrestricted	5,042,324
Scheduled debt repayments	780,008
Facilities fees, restricted	3,485,282
Deposit with Third Party	5,775
Investments	696,546
Receivables:	
Customer accounts (net)	814,672
Due from other funds	-
Due from other governments	7,337
ULID Assessments - ST	11,771
Interfund loans:	
Short term	3,890
Long term	23,340
Prepaid items	6,337
Inventory	163,892
Total current assets	<u>11,041,174</u>
<i>Noncurrent:</i>	
Restricted Cash & equivalents	
Unspent bond proceeds	-
Bond Reserve	-
ULID debt service	13,603
Restricted Investments	
Unspent bond proceeds	6,891,105
Bond Reserve	1,367,156
Receivables:	
ULID Assessments - LT	178,289
Capital assets:	
Land	5,604
Depreciable assets (net)	3,018,253
Infrastructure (net)	73,459,900
Construction in progress	661,436
Total capital assets	<u>77,145,193</u>
Total noncurrent assets	<u>85,595,346</u>
Total assets	<u>96,636,520</u>

**DEFERRED OUTFLOW OF RESOURCES**

Deferred amount on refunding debt	125,804
Deferred amount pension liability	168,385
Total deferred outflow of resources	<u>294,189</u>

**LIABILITIES**

<i>Current:</i>	
Accounts payable & accrued expenses	464,660
Interest on outstanding debt	125,467
Payable to other governments	29,677
Notes payable-current portion	1,216,491
Deposits payable	36,965
Compensated absences-current portion	114,842
Revenue bonds payable-current portion	1,762,770
Total current liabilities	<u>3,750,872</u>

*Noncurrent:*

Compensated absences	114,842
Net pension liability	1,142,708
Notes & loans payable	6,063,608
Revenue bonds payable	19,481,342
Total noncurrent liabilities	<u>26,802,500</u>
Total liabilities	<u>30,553,372</u>

**DEFERRED INFLOW OF RESOURCES**

Deferred amount on pension liability	204,893
Deferred ULID assessments	178,289
Total deferred inflow of resources	<u>383,182</u>

**NET POSITION**

Net investment in capital assets	55,420,979
Restricted for:	
Debt service	2,172,538
Capital improvements	3,485,282
Unrestricted	4,915,356
Total net position	<u>65,994,155</u>

**STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

**OPERATING REVENUES**

Charges for services:	
Rate revenues	13,253,116
All others	1,249,481
Other operating revenues	-
Total operating revenues	<u>14,502,597</u>

**OPERATING EXPENSES**

Maintenance	2,176,984
Operation	2,604,278
Administration & general	1,472,884
Taxes	2,437,001
Depreciation	2,348,728
Total operating expenses	<u>11,039,875</u>
Operating income (loss)	3,462,722

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	182,852
Adjustment for Fair Market Value	(41,739)
Interest expense	(775,502)
Debt costs	(77,339)
All other nonoperating revenues (expenses)	141,007
Total nonoperating revenues (expenses)	<u>(570,721)</u>
Income before capital contributions and transfers	2,892,001
Capital contributions	3,034,389
Transfers in	-
Transfers out	(247,093)
Change in net position	<u>5,679,297</u>
Net position-beginning	60,394,442
Prior period adjustment	(79,584)
Net position-ending	<u>65,994,155</u>

**CITY OF RICHLAND~Water Fund~For the Period ending 12/31/17**

**STATEMENT OF CASH FLOWS**

**CASH FLOWS FROM...**

*Operating activities:*

Receipts from...	
Customers and users	\$ 14,249,454
Interfund services provided	-
Grants & contributions	-
Payments to/for...	
Suppliers	(1,570,531)
Employees	(2,487,984)
Taxes	(2,437,001)
Interfund services used	(2,277,988)
Net cash provided (used)	<u>\$ 5,475,950</u>

*Noncapital activities:*

Receipts from...	
Customers and users	\$ 143,753
Interfund loans received	
Transfers from other funds	
Payments to/for...	
Interfund loans made	-
Interfund loans repaid	-
Transfers to other funds	(20,000)
Net cash provided (used)	<u>\$ 123,753</u>

*Capital activities:*

Receipts from...	
Grants & contributions	\$ 967,086
Bond proceeds received	7,519,729
Transfers from other funds	-
Payments to/for...	
Principal paid on debt	(2,852,869)
Interest paid on debt	(779,094)
Cost of bond issuance	(77,324)
Transfers to other funds	(227,093)
Capital spending	(1,537,696)
Net cash provided (used)	<u>\$ 3,012,739</u>

*Investing activities:*

Receipts from...	
Interest earnings	\$ 175,246
Sale of investments	7,243,945
Payments to/for...	
Purchases of investments	(8,971,377)
Net cash provided (used)	<u>(1,552,186)</u>
Net change in cash & equivalents	7,060,256
Cash & equivalents-beginning	2,260,961
Cash & equivalents-ending	<u>\$ 9,321,217</u>

**RECONCILIATION TO STATEMENT OF NET POSITION & STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

*Operating activities:*

Operating income (loss)	\$ 3,462,722
Adjustments for...	
Noncash transactions	
Depreciation	2,348,728
Accrued Pension Liability	(119,989)
Cash transactions	
(Increase)/decrease in receivables	(78,304)
(Increase)/decrease in prepaid items	(4,955)
(Increase)/decrease in inventory	(30,841)
Increase/(decrease) in payables	(101,411)

Net cash provided (used) \$ 5,475,950

Contribution of capital assets \$ 2,071,193

**WATER UTILITY**  
**Activity for the Year Ended December 31, 2017**

Revenue and Consumption

The Water utility has been effectively funding operations with no change to the water rates since April 2015. All water used is assessed a usage charge with a minimum monthly charge based upon the meter size. Through the end of 2017, the class of service revenue was .62% less than the 2016 revenues. Consumption was approximately 5% lower for residential and multifamily accounts due to an unseasonably wet spring. Consumption was 3% higher for commercial, with an overall combined 1% consumption reduction for all classes when compared to 2016.

The sales revenue by customer type for the Water Utility is shown below.

**WATER**

<b>Customer Class</b>	<b>Consumption (Hundred Cubic Feet)</b>	<b>% of Total Consumption</b>	<b>2017 Water Sale Revenue</b>	<b>% of Total Water Sales Revenue</b>
Residential	3,278,042	52.22%	\$8,566,565	65.70%
Commercial	2,793,551	44.50%	3,884,925	29.79%
Multifamily	205,907	3.28%	587,626	4.51%
<b>Total</b>	<b>6,277,500</b>	<b>100.0%</b>	<b>\$13,039,116</b>	<b>100.0%</b>

Expenses

The overall salaries and benefits expenses for 2017 were well within the budget for the Water utility. During 2017, several key, long-term employees retired, which prompted an in-depth review of the business model and resulted in a staffing reorganization. This effort, in addition to savings from attrition and hiring delays kept actual salaries and benefits under budget by \$225,000. Year-end accruals of salaries, benefits and accrued PTO resulted in a \$96,800 reduction of payroll related expenses and the annual adjustment of the unfunded pension liability reduced expenses by an additional \$120,000. When compared to the prior year operations, salaries and benefits expenses were 5%, or \$228,500, less than those experienced in 2016.

Recognition of expenses for operating supplies were higher than expected for 2017 and ended the year by exceeding the operating supplies budget by \$30,000. This can be attributed to timing of purchases and fluctuations of chemical needs and pricing. Total operating supplies expenses in 2017 were \$404,500, which was \$72,400 or 22% higher than 2016. Also within the supplies category, the Water utility had appropriately \$353,000 budgeted for scheduled non-capital system maintenance supplies. Only \$47,700 of this effort was completed during 2017.

The service type expense results for 2017 were \$32,000 less than the budget. Expenses for utilities came in \$100,000 less than budget since an anticipated rate increase for electric charges did not occur until 2018. Utilities expense was \$24,600 less than 2016 actuals with the majority of the reduction related to delays in powering irrigation systems stemming from a mild spring. These savings were offset by an overage against scheduled non-capital system maintenance charges of \$133,000. The majority of this cost was work performed to identify a new irrigation well for Jason Lee Elementary School. A feasible site was not identified so the project was abandoned.

For interfund services, the charges for fleet maintenance in both the operations and maintenance divisions came in under budget. Lower than expected repairs and fuel costs had a positive impact on these service charges. Cost allocation expenses came in \$408,000 less than budget. The 2016 true-up resulted in a rebate of charges for the Water utility in the amount of \$438,700. The biggest

component of the true-up rebate was related to IT services. Although the 2016 expenses were lower than anticipated, most of the rebate was a one-time fluctuation caused by implementing a new cost allocation model. Some of this savings will be re-appropriated in the next few years as the implementation of the ERP project commences.

Interfund transfers included an annual contribution of \$20,000 toward the City's Broadband infrastructure and a one-time transfer of \$227,000 to close out the construction fund for the ULID at Reata Rd. Although this project resulted in an asset for the Water utility, the construction was financed with revenue bonds, which will be repaid with LID assessments collected over the next 15 years.

#### Capital and Long-Term Debt Activity

The Water utility continued its practice of rate financing capital renewal projects for 2017 at a level of \$1.086 million. The goal of these projects is to replace or renew our existing assets and maintain the water system. The significant projects included in the 2017 budget were \$235,000 for initial work on the automated meter reading system project, \$750,000 for the Duportail Street transmission main, \$1.3 million for improvements to the irrigation distribution system and \$1.3 million for the Yakima River Crossing Pipeline Replacement project. This project will be completed in conjunction with the Duportail Bridge project, slated to begin in 2018.

Revenue bonds were issued in June of 2017 to finance the Yakima River Pipeline Replacement project, the Reata Rd ULID and other capital projects in the amount of \$7.5 million. Of the total issued, \$5.2 million is earmarked for the pipeline, \$210,000 financed the ULID, \$381,000 was used to increase the required bond reserve and the remaining \$1.6 million will be used toward the automated meter reading project, which will commence in 2018.

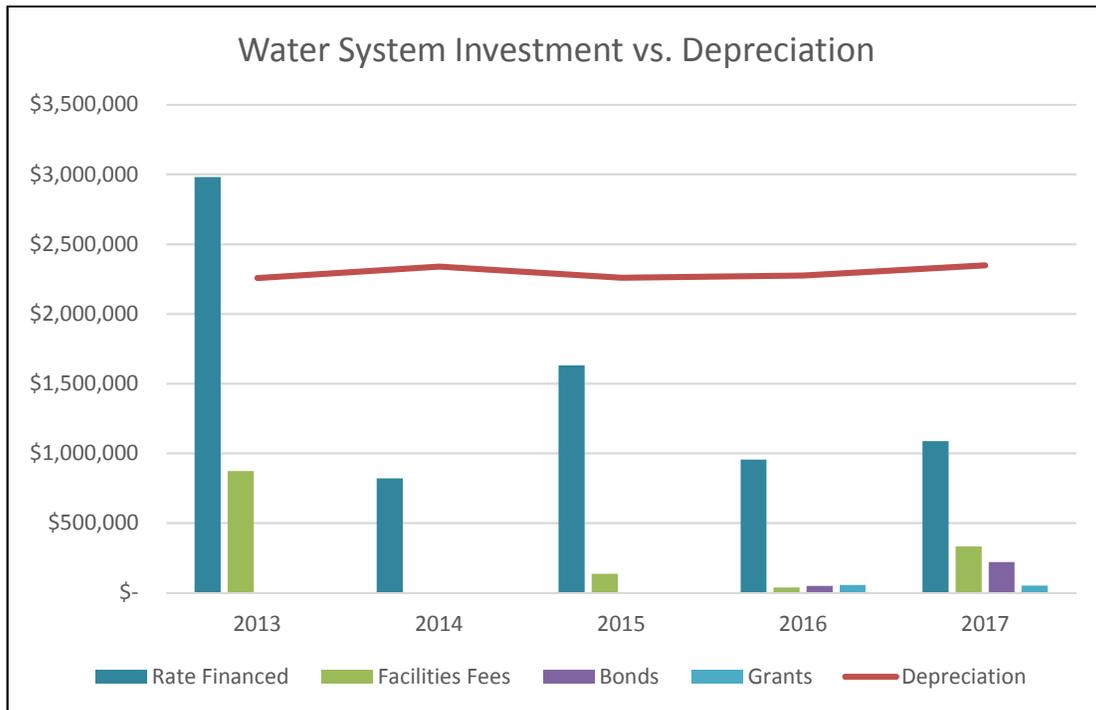
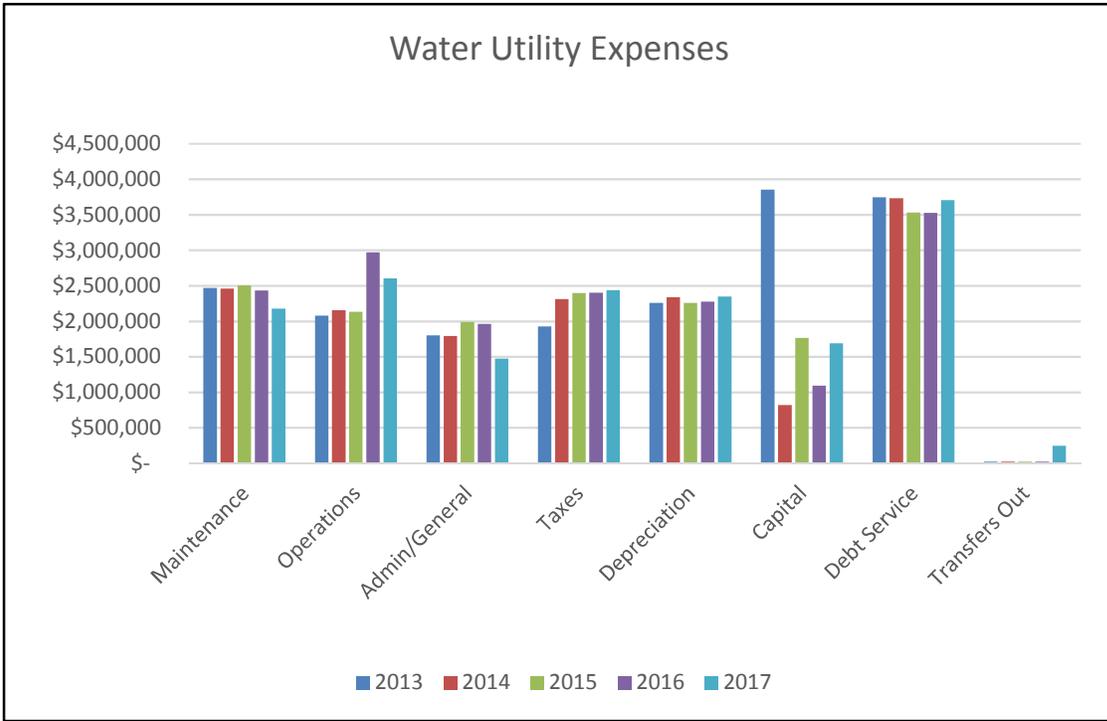
Another capital financing component utilized by the Water utility is facilities fees. During 2017, \$332,000 was spent on capital projects, leaving a year-end balance of \$3.5 million. Of this, \$2.3 million is budgeted to be spent in 2018 to support the automated meter reading project, the Island View supply redundancy project and a few smaller projects.

#### Financial Position and Economic Outlook

The utility's operating income at the close of 2017 was \$3.5 million as operating revenues outpaced the expense growth. The unreserved fund balance has continued to grow and is currently exceeding the Utility Advisory Committee's recommended 45 day operating reserve by \$3.9 million. Approximately \$1.07 million of the excess will be appropriated in 2018 to fund operating and capital project carryovers. The \$2.8 million balance will support future payments of the utility's required annual debt service and provide funding for rate supported capital projects.

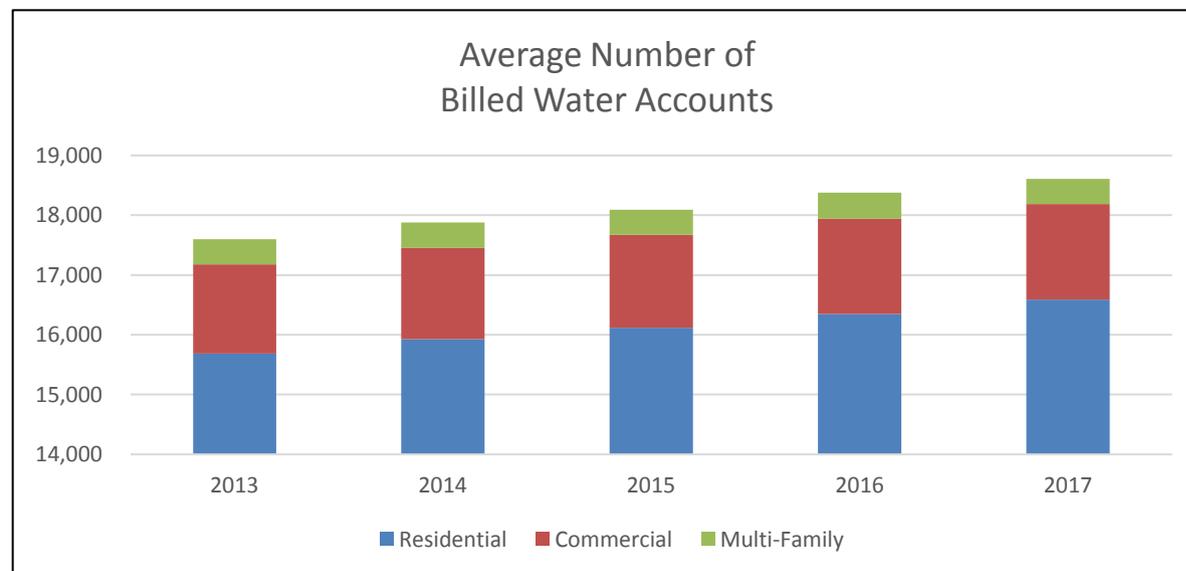
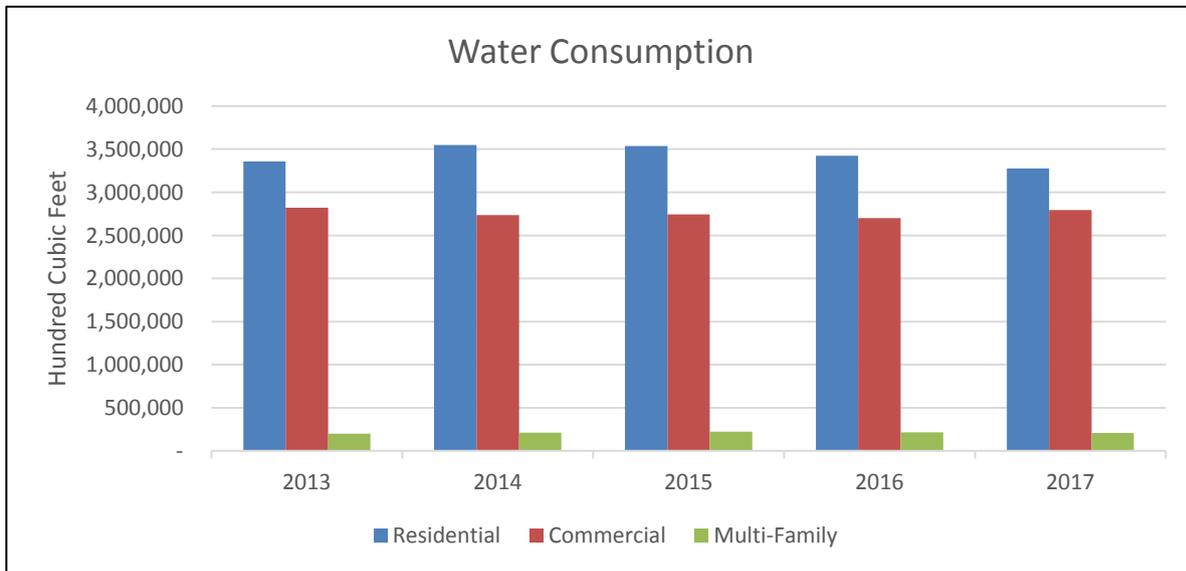
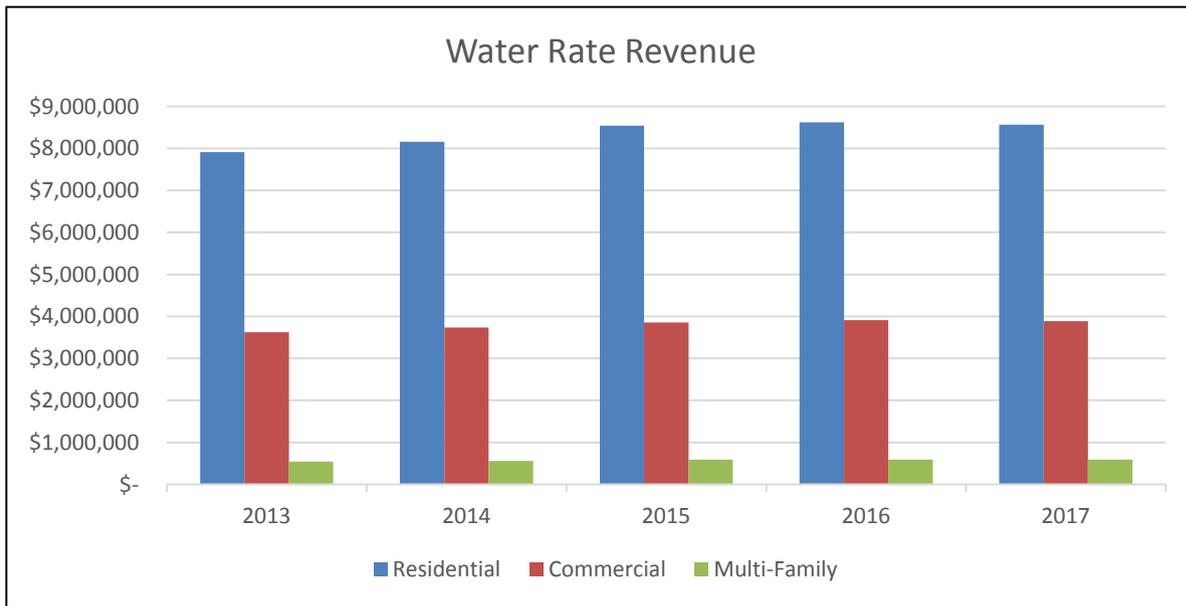
Water Fund Graphs

For the Period Ended December 31, 2017



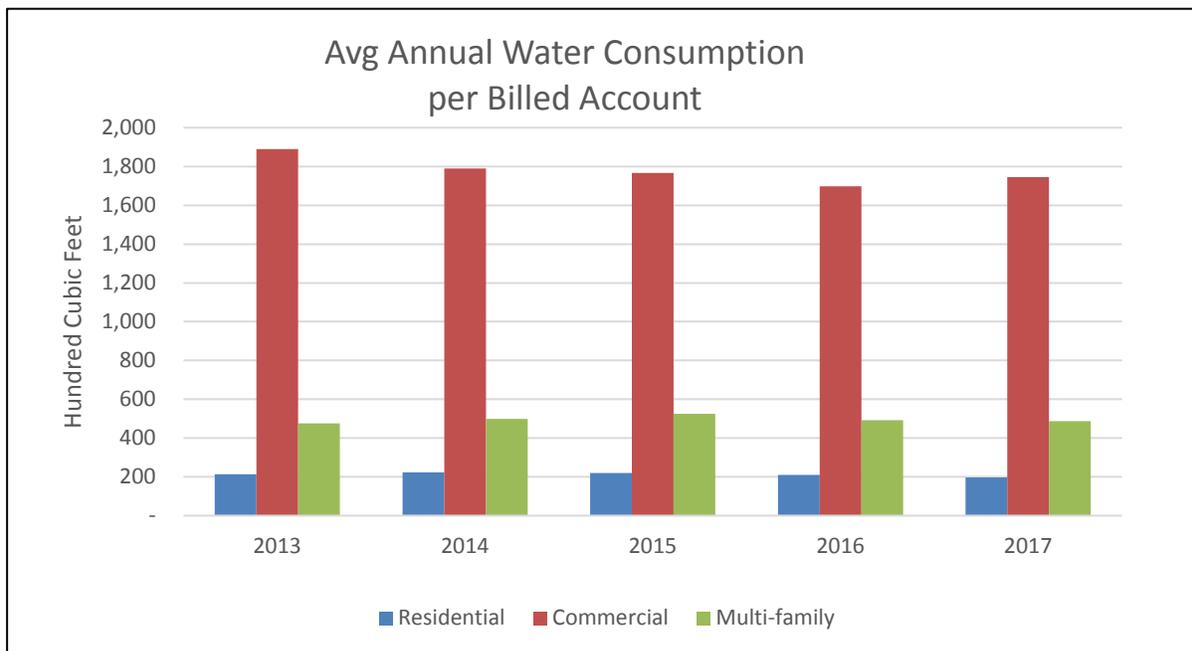
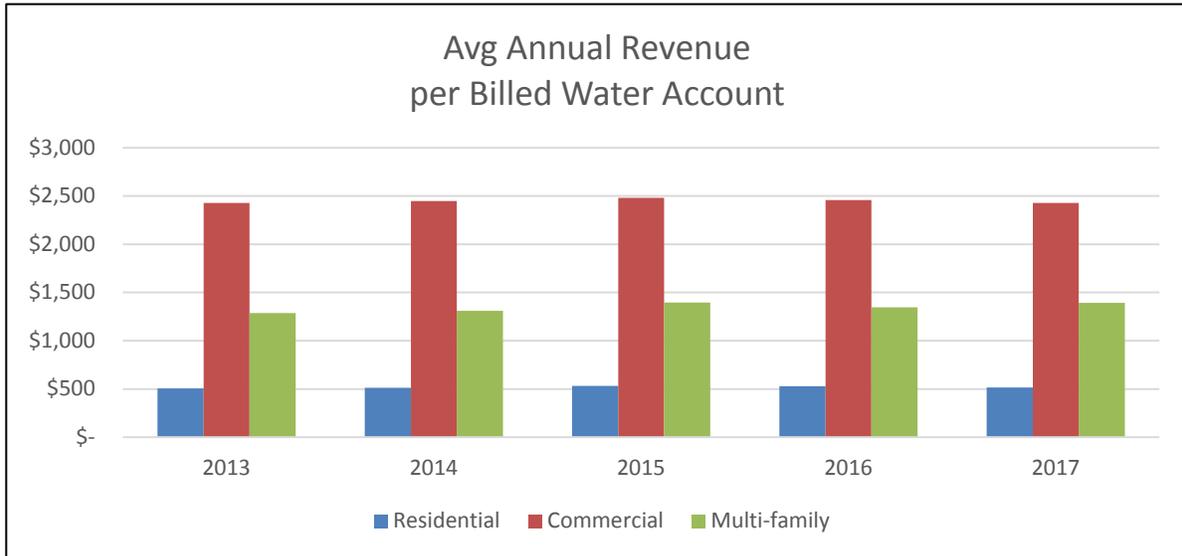
Water Fund Graphs

For the Period Ended December 31, 2017



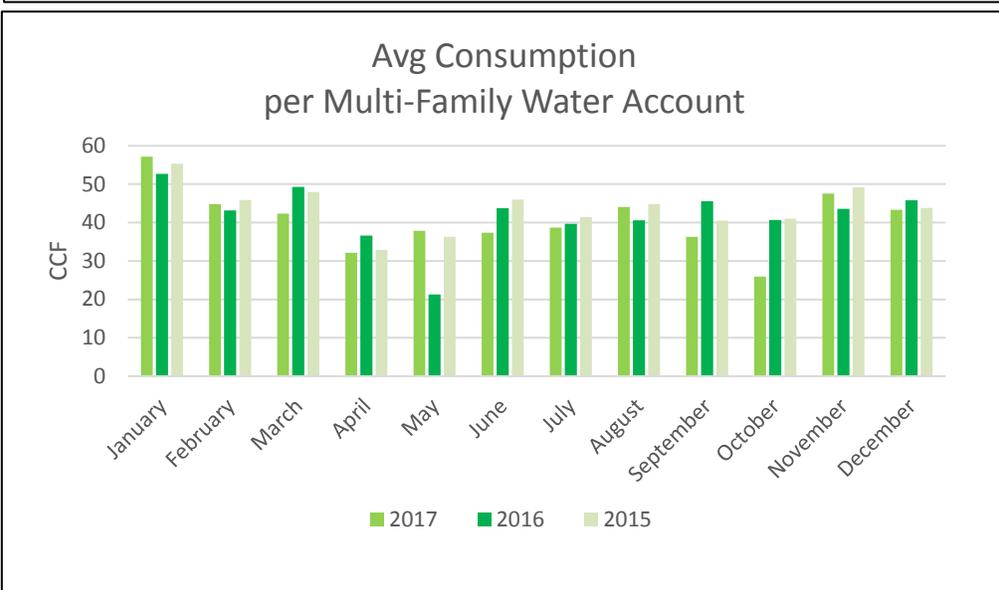
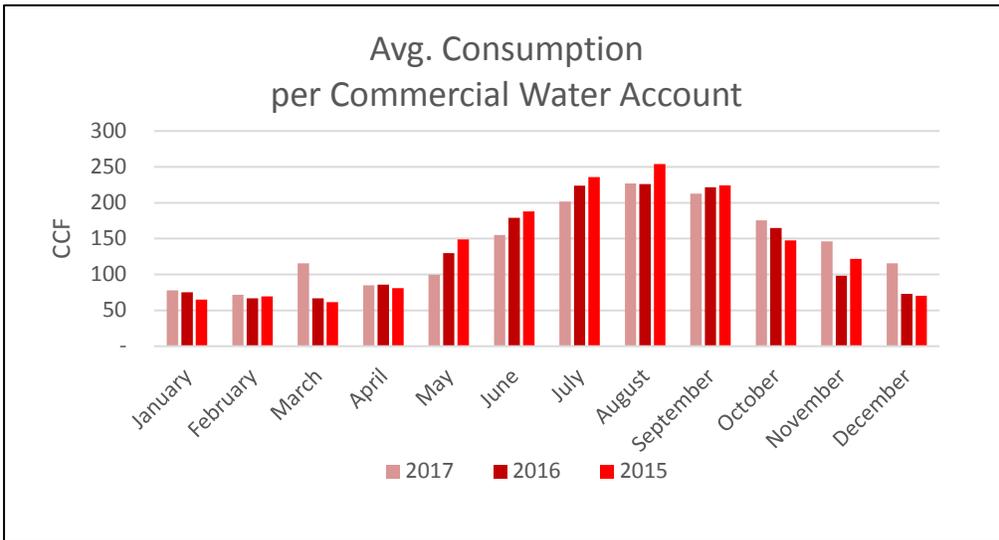
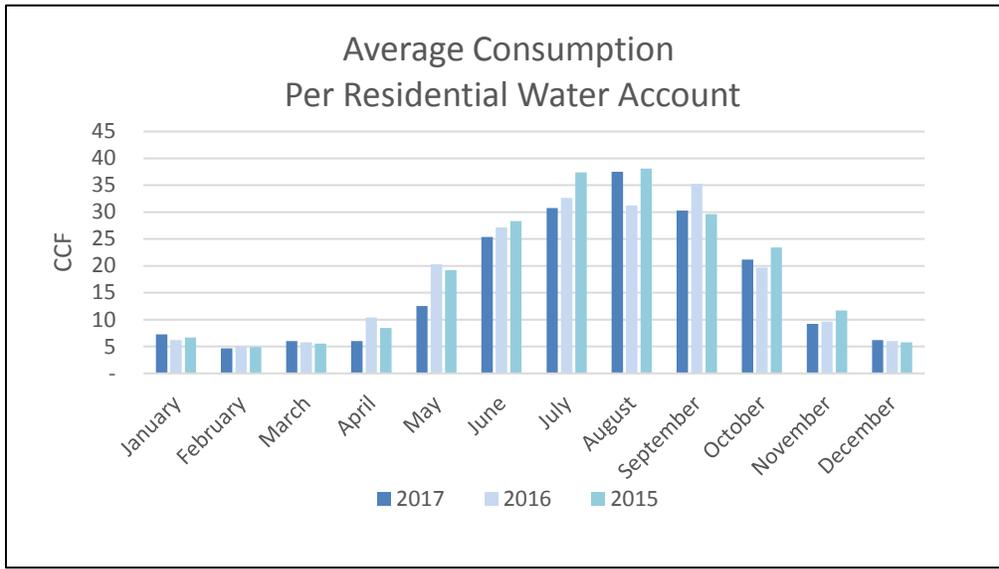
Water Fund Graphs

For the Period Ended December 31, 2017



Water Fund Graphs

For the Period Ended December 31, 2017





**CITY OF RICHLAND, WASHINGTON**  
**Wastewater Fund Financial Statements**

**For the Year Ended**  
**December 31, 2017**  
(Unaudited)

*Prepared by:*  
Administrative Services Department

**CITY OF RICHLAND~Wastewater Fund~As of December 31, 2017**

**STATEMENT OF NET POSITION**

**ASSETS**

<i>Current:</i>	
Cash & equivalents	
Unrestricted	2,789,954
Scheduled debt repayments	151,689
Management designated	12,662
Deposits with Third Parties	2,650
Investments	1,195,798
Receivables:	
Customer accounts (net)	679,746
Due from other governments	-
ULID Assessments - ST	10,957
Interfund loans:	
Short term	-
Long term	-
Prepaid items	-
Inventory	1,098
<b>Total current assets</b>	<b>4,844,554</b>
<i>Noncurrent:</i>	
Restricted Cash & equivalents	
Unspent bond proceeds	-
Unspent facility fees	2,326,070
Bond reserve covenant	-
Investments	
Unspent bond proceeds	3,830,400
Bond reserve covenant	876,407
Receivables	
ULID Assessments - LT	165,964
Capital assets:	
Depreciable assets (net)	11,195,423
Infrastructure (net)	46,838,267
Construction in progress	294,472
<b>Total capital assets</b>	<b>58,328,162</b>
<b>Total noncurrent assets</b>	<b>65,527,003</b>
<b>Total assets</b>	<b>70,371,557</b>

**DEFERRED OUTFLOW OF RESOURCES**

Deferred Amount-Refunded Debt	263,120
Deferred Amount-Pension	156,327
<b>Total deferred outflow of resources</b>	<b>419,447</b>

**LIABILITIES**

<i>Current:</i>	
Accounts payable & accrued expenses	225,109
Interest on outstanding debt	87,556
Deposits payable	6,202
Compensated absences-current portion	86,476
Notes & loans payable-current portion	69,987
Revenue bonds payable-current portion	1,362,231
<b>Total current liabilities</b>	<b>1,837,561</b>
<i>Noncurrent:</i>	
Compensated absences	86,476
Net pension liability	1,073,457
Notes & loans payable	1,069,524
Revenue bonds payable	13,011,572
Unearned revenue	156,000
<b>Total noncurrent liabilities</b>	<b>15,397,029</b>
<b>Total liabilities</b>	<b>17,234,590</b>

**DEFERRED INFLOW OF RESOURCES**

Deferred Amount-Pension	210,675
Deferred Amount-ULID	165,964
<b>Total deferred inflow of resources</b>	<b>376,639</b>

**NET POSITION**

Net investment in capital assets	46,823,150
Restricted for:	
Debt service	1,051,715
Capital improvements	2,170,070
Unrestricted	3,134,840
<b>Total net position</b>	<b>53,179,775</b>

**STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

**OPERATING REVENUES**

<i>Charges for services:</i>	
Rate revenues	9,217,881
All others	168,675
Other operating revenues	-
<b>Total operating revenues</b>	<b>9,386,556</b>

**OPERATING EXPENSES**

Maintenance	1,971,821
Operation	2,256,296
Administration & general	992,767
Taxes	1,237,410
Depreciation	1,753,279
<b>Total operating expenses</b>	<b>8,211,573</b>
Operating income (loss)	1,174,983

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	131,587
Adjustment for Fair Market Value	(20,616)
Interest expense	(526,313)
Debt costs	(64,718)
All other nonoperating revenues (expenses)	120,175
<b>Total nonoperating revenues (expenses)</b>	<b>(359,885)</b>
Income before capital contributions and transfers	815,098
Capital contributions	1,827,463
Transfers in	-
Transfers out	(284,583)
<b>Change in net position</b>	<b>2,357,978</b>
Net position-beginning	50,839,515
Prior period adjustment	(17,718)
<b>Net position-ending</b>	<b>53,179,775</b>

**CITY OF RICHLAND~Wastewater Fund~As of December 31, 2017**

**STATEMENT OF CASH FLOWS**

**CASH FLOWS FROM...**

*Operating activities:*

Receipts from...	
Customers and users	\$ 9,428,631
Interfund services provided	-
Grants & contributions	-
Payments to/for...	
Suppliers	(1,435,288)
Employees	(2,551,926)
Taxes	(1,237,410)
Interfund services used	(1,406,397)
Net cash provided (used)	<u>\$ 2,797,610</u>

*Noncapital activities:*

Receipts from...	
Customers and users	\$ 40,587
Interfund loans received	
Transfers from other funds	-
Payments to/for...	
Other interest expense	
Interfund loans repaid	-
Transfers to other funds	(5,000)
Net cash provided (used)	<u>\$ 35,587</u>

*Capital activities:*

Receipts from...	
Grants & contributions	\$ 842,157
Bond proceeds received	6,044,738
Interfund loans repaid	
Payments to/for...	
Principal paid on debt	(3,026,611)
Interest paid on debt	(662,321)
Cost of bond issuance	(64,718)
Transfers to other funds	(279,583)
Capital spending	(800,733)
Net cash provided (used)	<u>\$ 2,052,929</u>

*Investing activities:*

Receipts from...	
Interest earnings	\$ 124,503
Sale of investments	4,853,598
Payments to/for...	
Purchases of investments	(5,904,143)
Net cash provided (used)	<u>\$ (926,042)</u>
Net change in cash & equivalents	3,960,084
Cash & equivalents-beginning	1,320,291
Cash & equivalents-ending	<u><u>\$ 5,280,375</u></u>

**RECONCILIATION TO STATEMENT OF NET ASSETS & STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

*Operating activities:*

Operating income (loss)	\$ 1,174,983
Adjustments for...	
Noncash transactions	
Depreciation	1,753,279
Pension Liability	(126,751)
Cash transactions	
(Increase)/decrease in receivables	(32,925)
(Increase)/decrease in prepaid items	1,581
(Increase)/decrease in inventory	-
Increase/(decrease) in payables	27,443

Net cash provided (used)	<u>\$ 2,797,610</u>
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Contribution of capital assets	\$ 985,306
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**WASTEWATER UTILITY**  
**Activity for the Year Ended December 31, 2017**

Revenue and Consumption

The Wastewater utility has been effectively funding operations with no change to wastewater rates since January 2010. Class of service revenue for 2017 increased \$141,583 over 2016 totals. When comparing the different classes of service, additional revenue in the residential class of service is solely based upon the addition of customers. Results of residential revenues reflect an increase in revenue of \$97,921 when compared to 2016. For the commercial and multi-family classes of service, consumption is a component of the billed charges. Consumption in 2017 was higher than recorded in 2016. Commercial consumption increased by 27,600 units and multifamily consumption decreased by 10,900 units. As a result of the higher usage numbers, revenues from commercial accounts were up by \$37,800. Multifamily revenues increased by \$5,900 when compared to the prior year.

**WASTE WATER (WW)**

<b>Customer Class</b>	<b>2017 WW Sales Revenue</b>	<b>% of Total WW Sales Revenue</b>
Residential	\$5,371,182	58.3%
Commercial	2,531,116	27.4%
Multi-family	1,315,583	14.3%
Total	\$9,217,881	100.0%

Expenses

The salaries and benefits expenses for 2017 were on target with the budget for both the operations and maintenance divisions. Although the overtime allocation was slightly exceeded, the total salaries and benefits were \$75,000 under budget for the year due to labor savings from attrition and hiring delays. Year-end accruals of salaries, benefits and accrued PTO resulted in a \$39,000 reduction of payroll related expenses and the annual adjustment of the unfunded pension liability reduced expenses by an additional \$120,000. When compared to the prior year operations, overall salaries and benefits expenses were 1% or \$27,000 less than those experienced in 2016.

Recognition of supplies expenses was right on target with budget for the year. There were no extraordinary supplies purchased and total costs were \$35,000 less than 2016 due to the timing of purchases and chemical needs.

The service type object results were also on target with the budget. The largest operating component is utilities expense, which came in at 99% of budget. This category also contains a significant allocation from capital project budgeting for components considered to be of a maintenance nature. In 2017, there was a budget of \$728,120 for pipeline inspection work, of which \$173,100 was completed. The balance will be carried forward to the 2018 capital projects budget.

For interfund services, the charges for fleet maintenance in both the operations and maintenance divisions stayed within budget. Lower than expected repairs and fuel costs had a positive impact on these service charges. Cost allocation expenses came in significantly under budget. The 2016 true-up resulted in a rebate of charges for the Wastewater utility in the amount of \$322,700. The biggest component of the true-up is related to IT services. Although the 2016 expenses were lower than anticipated, most of this savings resulted from the implementation of a new cost allocation model. Some of the savings may be re-appropriated in future years as the implementation of the ERP project commences.

Interfund transfers reflect a one-time transfer of \$211,395 to close out the construction fund for the ULID at Reata Rd. Although this project resulted in an asset for the Wastewater utility, the construction was financed with revenue bonds, which will be repaid with LID assessments collected over the next 15 years. There was also a one-time transfer of \$68,200 to finance the purchase of a boom lift in the City's fleet. This equipment will allow Wastewater staff to complete maintenance to facilities in a safe and effective manner. Finally, the annual transfer of \$5,000 to support the City's Broadband infrastructure was expensed during 2017 as well.

#### Capital and Long-Term Debt Activity:

The Wastewater utility continued its effort to replace and repair deteriorating sewer lines. For 2017, the budget provided \$5.2 million for these types of projects. The largest project in 2017 was the Influent Upgrade effort. The project entails the rehabilitation of the influent building and addition of a new mechanical fine screen. Funding for this project is a combination of facilities fees and bond proceeds. The utility spent \$265,000 of rate funds on capital during 2017 but the remaining budget will be carried forward to 2018.

Revenue bonds were issued in June of 2017 to refund a portion of the existing 2009 bond issue and finance the Influent Upgrades, the Reata Rd ULID and other capital projects in the amount of \$6 million. Of the total issued, \$2.2 million is earmarked for Influent Upgrades, \$195,000 financed the ULID, \$1.7 million refunded a portion of the 2009 bonds and \$218,000 was used to increase the required bond reserve. The remaining \$1.6 million will be used to continue the collection system renewal and replacement program.

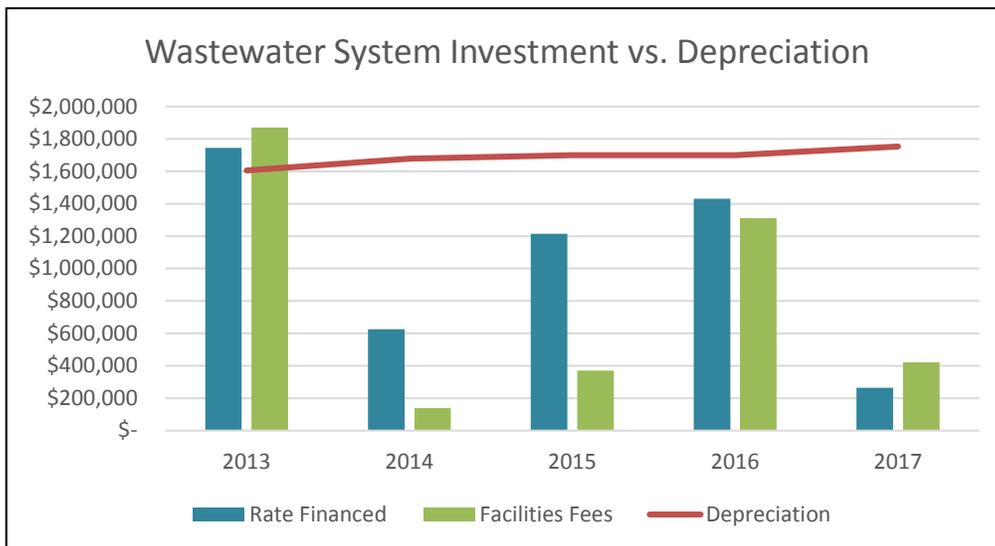
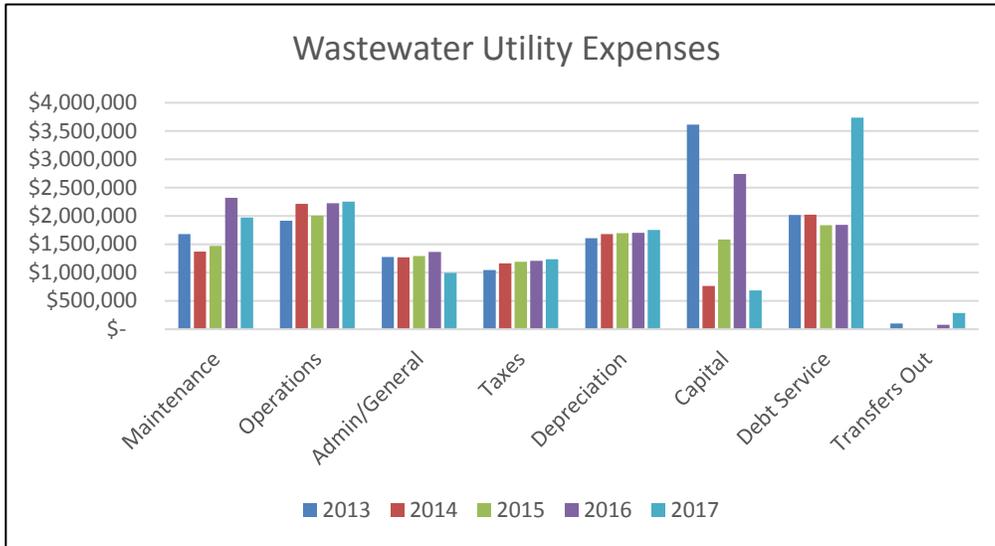
Another capital financing component utilized by the Wastewater utility is facilities fees. During the year, \$420,000 of facilities fees were spent to support projects, leaving a balance of \$2.2 million at year end. \$1.6 million is budgeted to be spent during 2018 on improvements to the Wastewater Treatment Facility and for System Renewals to the collection system.

#### Financial Position and Economic Outlook

The utility's operating income at the close of 2017 was \$1.175 million as operating revenues outpaced the expense growth. The unreserved fund balance has continued to grow and is currently exceeding the Utility Advisory Committee's recommended reserve level by \$2.3 million. Of this amount, \$1.77 million will be appropriated in 2018 to fund operating and capital project carryovers. The remaining \$540,000 will support future payments of the utility's required annual debt service and provide funding for rate supported capital projects.

Wastewater Fund Graphs

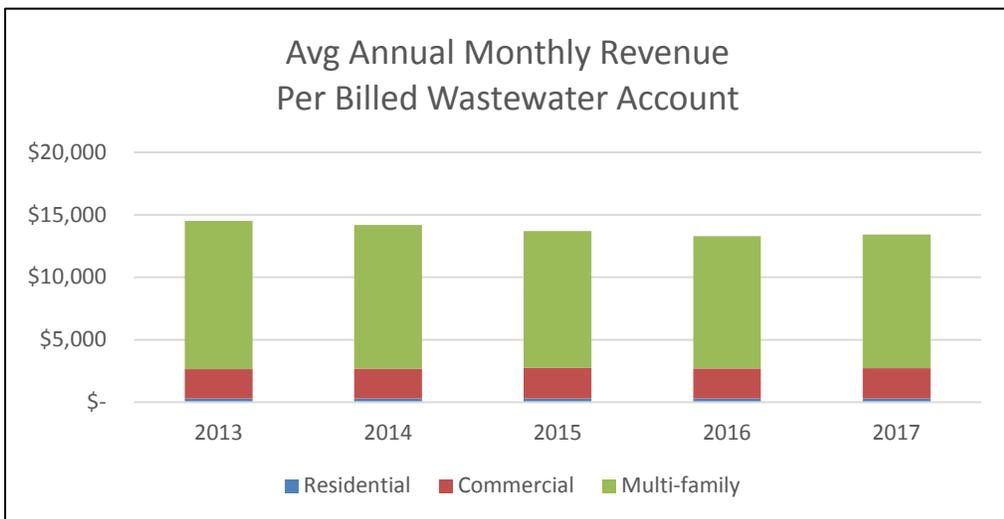
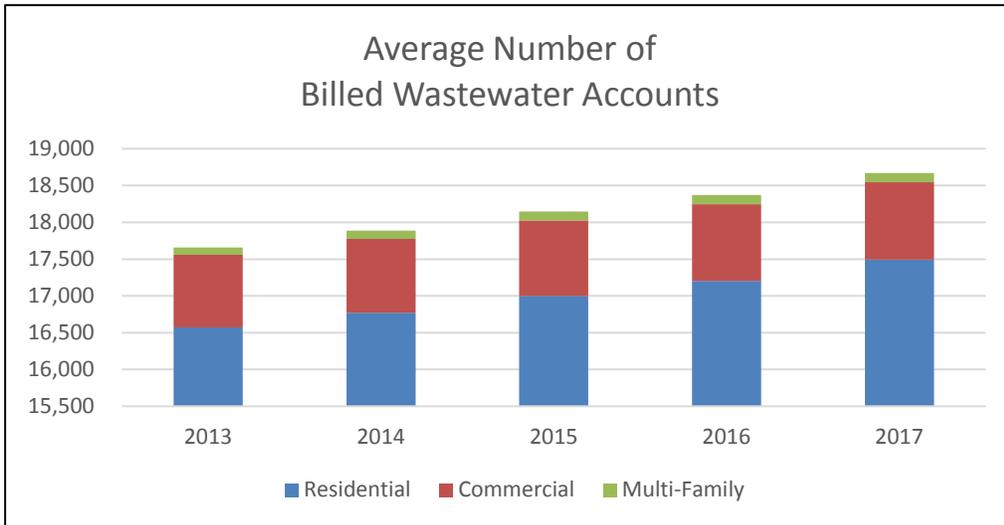
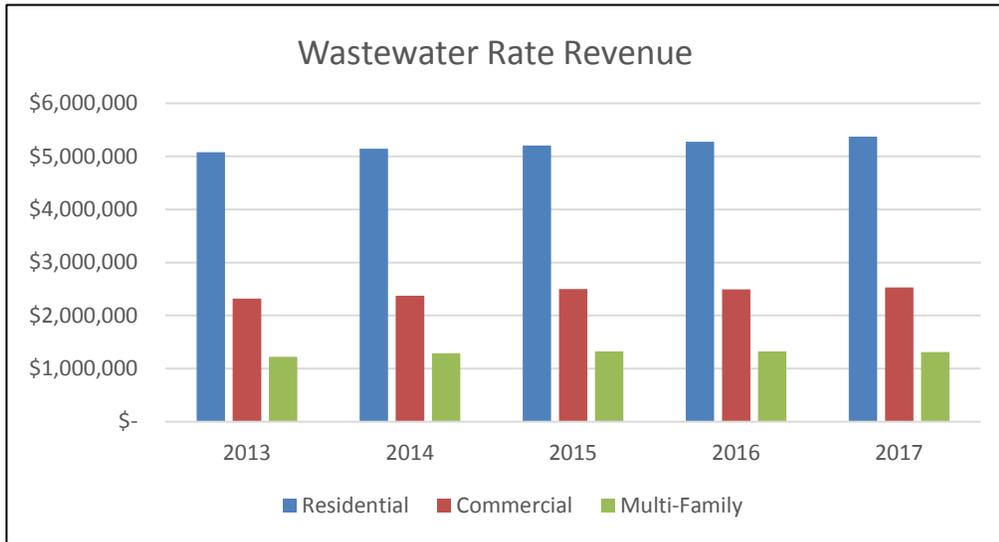
For the Period Ended December 31, 2017



**CITY OF RICHLAND, WASHINGTON**

**Wastewater Fund Graphs**

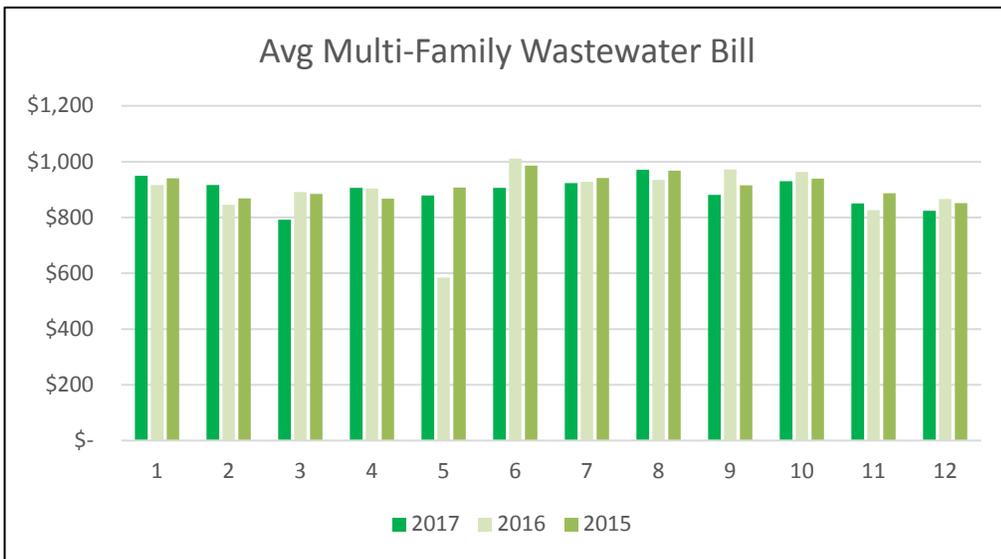
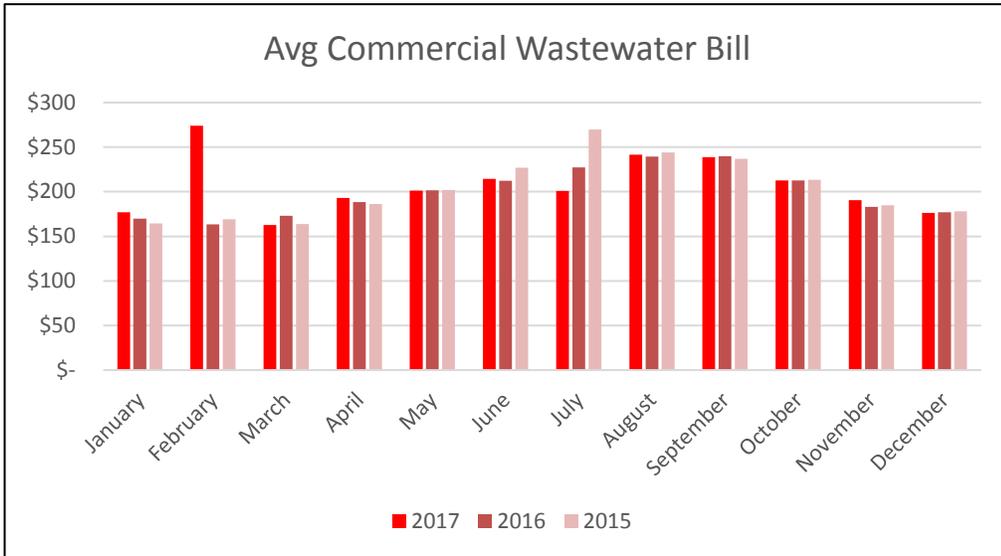
**For the Period Ended December 31, 2017**



**CITY OF RICHLAND, WASHINGTON**

**Wastewater Fund Graphs**

**For the Period Ended December 31, 2017**





**CITY OF RICHLAND, WASHINGTON**  
**Solid Waste Fund Financial Statements**

**For the Year Ended**  
**December 31, 2017**  
(Unaudited)

*Prepared by:*  
Administrative Services Department

**CITY OF RICHLAND~Solid Waste Fund~December 31, 2017**

**STATEMENT OF NET POSITION**

**ASSETS**

*Current:*

Cash & equivalents	
Unrestricted	2,762,006
Scheduled debt repayments	10,995
Management designated	-
Deposits with Third Party	1,050
Investments	1,213,362
Receivables:	
Customer accounts (net)	741,765
Due from other funds	1,673,389
Due from other governments	-
Notes & contracts	-
Prepaid items	-
<b>Total current assets</b>	<b>6,402,567</b>

*Noncurrent:*

Restricted cash & equivalents	
Landfill closure/postclosure care	360,657
Investments	
Investments, restricted	2,338,781
Capital assets:	
Land	80,500
Depreciable assets (net)	777,630
Infrastructure (net)	2,051,597
Construction in progress	-
<b>Total capital assets</b>	<b>2,909,727</b>
<b>Total noncurrent assets</b>	<b>5,609,165</b>
<b>Total assets</b>	<b>12,011,732</b>

**DEFERRED OUTFLOW OF RESOURCES**

Deferred Amount-Refunded Debt	7,275
Deferred Amount-Pension Liability	173,250
<b>Total deferred outflow of resources</b>	<b>180,525</b>

**LIABILITIES**

*Current:*

Accounts payable & accrued expenses	274,415
Interest on outstanding debt	578
Payable to other governments	29,449
Due to other funds	-
Compensated absences-current portion	104,997
GO bonds payable-current portion	125,000
Landfill closure/postclosure care-current portion	-
<b>Total current liabilities</b>	<b>534,439</b>

*Noncurrent:*

Compensated absences	104,997
Net pension liability	1,204,178
GO bonds payable	142,947
Landfill closure/postclosure care	5,930,285
<b>Total noncurrent liabilities</b>	<b>7,382,407</b>
<b>Total liabilities</b>	<b>7,916,846</b>

**DEFERRED INFLOW OF RESOURCES**

Deferred Amount-Pension Liability	241,666
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**NET POSITION**

Net investment in capital assets	2,649,055
Restricted for:	
Debt service	10,995
Capital improvements	(1,450,895)
Unrestricted	2,824,590
<b>Total Net Position</b>	<b>4,033,745</b>

**STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

**OPERATING REVENUES**

Charges for services:	
Rate revenues	6,880,682
Landfill operations	1,237,832
Drop Box operations	1,220,019
MRWF operations	-
All other operating revenues	78,019
<b>Total operating revenues</b>	<b>9,416,552</b>

**OPERATING EXPENSES**

Collection	3,124,092
Disposal	1,706,619
Administration & general	1,343,616
Taxes	1,141,071
Depreciation	169,568
<b>Total operating expenses</b>	<b>7,484,966</b>
Operating income (loss)	1,931,586

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	94,873
Net change in FMV interest	(15,133)
Interest Expense	(10,039)
Debt costs	-
All other nonoperating revenues (expenses)	(293,108)
<b>Total nonoperating revenues (expenses)</b>	<b>(223,407)</b>
Income before capital contributions and transfers	1,708,179
Capital contributions	-
Transfers In	-
Transfers out	(85,185)
<b>Change in net position</b>	<b>1,622,994</b>
Net position-beginning	2,415,491
Prior period adjustment	(4,740)
<b>Net position-ending</b>	<b>4,033,745</b>

**CITY OF RICHLAND~Solid Waste Fund~December 31, 2017**

**STATEMENT OF CASH FLOWS**

**CASH FLOWS FROM...**

*Operating activities:*

Receipts from...		
Customers and users	\$	9,358,705
Interfund services provided	\$	-
Grants & contributions	\$	-
Payments to/for...		
Suppliers	\$	(884,871)
Employees	\$	(2,812,658)
Taxes	\$	(1,141,071)
Interfund services used	\$	(2,451,065)
Net cash provided (used)	\$	<u>2,069,040</u>

*Noncapital activities:*

Receipts from...		
Customers and users	\$	118,725
Interfund loans received	\$	-
Interfund loans repaid	\$	-
Transfers from other funds	\$	-
Payments to/for...		
Other interest expense	\$	-
Transfers to other funds	\$	-
Interfund loans made	\$	(860,405)
Net cash provided (used)	\$	<u>(741,680)</u>

*Capital activities:*

Receipts from...		
Grants & contributions	\$	-
Transfers from other funds	\$	-
Payments to/for...		
Principal paid on debt	\$	(125,000)
Interest paid on debt	\$	(10,688)
Transfers to other funds	\$	(85,185)
Capital spending	\$	(107,038)
Net cash provided (used)	\$	<u>(327,911)</u>

*Investing activities:*

Receipts from...		
Interest earnings	\$	75,241
Sale of investments	\$	2,463,673
Payments to/for...		
Purchases of investments	\$	(3,558,716)
Net cash provided (used)	\$	<u>(1,019,802)</u>
Net change in cash & equivalents	\$	<u>(20,353)</u>
Cash & equivalents-beginning	\$	<u>3,154,011</u>
Cash & equivalents-ending	\$	<u><u>3,133,658</u></u>

**RECONCILIATION TO STATEMENT OF NET POSITION & STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

*Operating activities:*

Operating income (loss)	1,931,586
Adjustments for...	
Noncash transactions	
Depreciation	169,568
Annual pension liability	(141,538)
Cash transactions	
(Increase)/decrease in receivables	(2,999)
(Increase)/decrease in prepaid expenses	-
(Increase)/decrease in deferred charges	-
(Increase)/decrease in claims & judgements	-
Increase/(decrease) in payables	112,423
Increase/(decrease) in unearned revenues	-
Net cash provided (used)	<u>2,069,040</u>

**SOLID WASTE UTILITY**  
**Activity for the Year Ended December 31, 2017**

Revenue

Collection service revenues are typically level from month to month and represent collection containers at fixed locations. When comparing revenue collections from 2017 to 2016, there was an increase of \$260,179 or 3.9% in this category. The revenue earned by the landfill increased \$153,636 or 15.6%, and drop box revenues increased \$305,394, or 33.4% more than the 2016. The drop box haul fee increased 20%, effective January 2017, while the remaining rates stayed unchanged.

The breakdown of utility billing charges by customer type for the Solid Waste Utility is shown below.

**SOLID WASTE**

<b>Customer Class</b>	<b>2017 Collection Revenue</b>	<b>% of Total Solid Waste Revenue</b>
Residential	\$4,157,169	60.4%
Commercial	2,723,512	39.6%
Total	<u>\$ 6,880,681</u>	100.0%

Expenses

The salaries and benefits expenses for 2017 expended 97% of the combined budget for both the collections and disposal divisions. Total personnel expenses were \$123,800 higher than 2016, which is approximately a 5% increase, but this was offset by an expenditure reduction of \$141,500 related to the annual unfunded pension liability adjustment.

Recognition of supplies expenses also expended 97% of the budget. The total spending for supplies was \$226,700, which was 1% less than 2016.

The service type object results came in under budget by \$130,400. Total spending for 2017 in this category was \$765,530, which was \$146,000 less than 2016. The largest component of this change is due to planned maintenance and planning projects which are not capital in nature. The landfill spent \$213,000 less in this area during 2017 than 2016. This savings was offset by an increase of \$76,600 in recycling processing fees, \$30,700 higher insurance costs, \$25,000 additional expert services related to remediation and bird management, and \$64,000 less in one time welding of containers, rock crushing and a reduction in the work crew used to control litter.

Tax expenses for 2017 were \$74,000 higher than 2016 due to similar results in revenue collections. This overage was offset by the \$155,000 budget set aside for Interlocal agreements. The Solid Waste utility plans to release reserves held for the construction of a new moderate risk waste facility to Benton County when a plan is completed.

For interfund services, the charges to fleet maintenance in both collections and disposal divisions finished the 2017 year \$369,400 below budget. Replacement of the aging fleet and level fuel costs are having a positive impact on these service charges. Actual expenses totaled \$1.2 million, which was \$15,000 less than 2016. Another significant change in this category was the elimination of replacement reserve contributions made during 2017. The Solid Waste utility had excess reserves set aside in the Equipment Replacement Fund so contributions for 2017 were deferred. This provided a savings of \$720,000 when compared to 2016.

The other components of interfund services are expenses assigned to the utility through the cost allocation plan. The new allocation increased expenses for the Solid Waste utility by \$265,000 when compared to 2016. The new plan also had an impact on charges for Public Works Engineering and Administration, which also increased \$51,000 when compared to 2016 results.

#### Capital and Long-Term Debt Activity

For 2017, the Solid Waste utility continued work on planned projects related to assessment of groundwater contamination and planning for disposal capacity improvements. The total expenses for 2017 were \$99,100, which included \$59,400 of expert services which are reflected as an operational cost, and \$39,700 of capital improvements.

The Solid Waste Utility has loaned \$1.65 million of closure funds to the Streets Construction Fund to provide interim financing for the Duportail Bridge construction project. The loan will be repaid from collections of the car tab fees assessed under the Transportation Benefit District. This note earns interest at a rate of 1.57% and recognized accumulated interest of \$19,633 through 2017.

#### Financial Position and Economic Outlook

For 2017, the results of operations for the Solid Waste Utility reflected a net income of \$1.93 million. The unreserved fund balance is currently exceeding the UAC recommended level by \$296,500 after covering the \$1.67 million unfunded portion of the closure and post closure liability recognized to date. We will continue to monitor our operations closely and will maintain our financial position through on-going collection of rate revenues and continued efforts toward cost containment.

#### Landfill Closure and Postclosure Care Liability

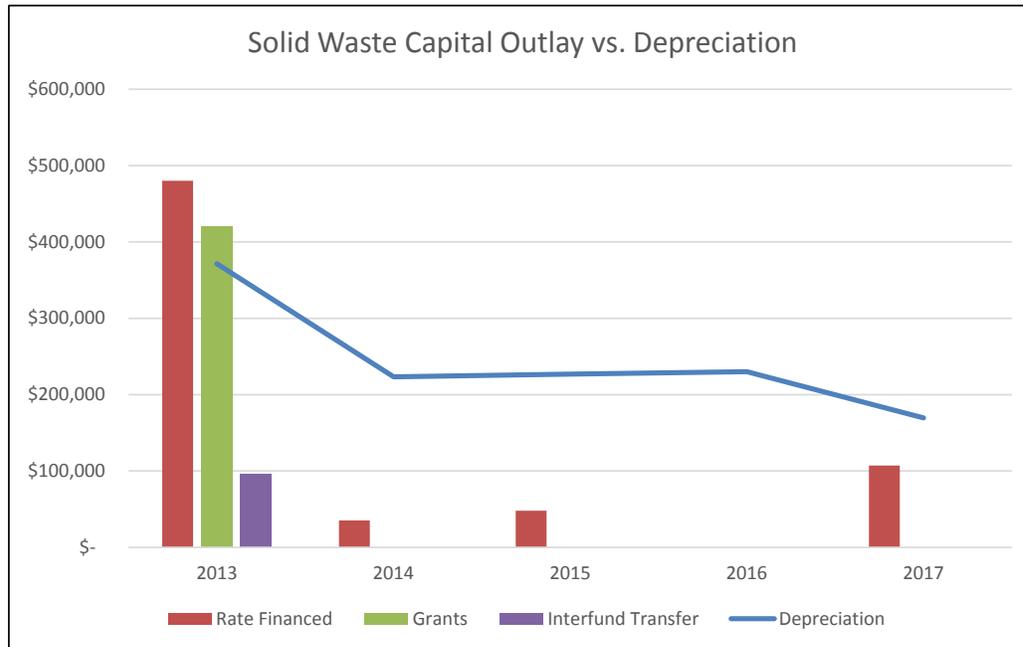
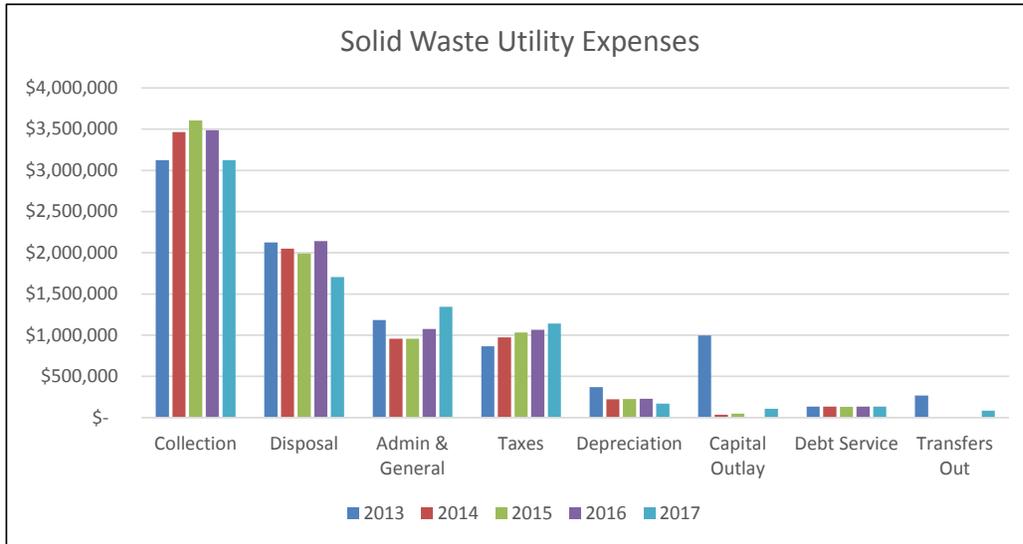
The City's closure/post-closure operations plan is divided into two phases. First phase construction was completed in 2011 and the remaining landfill area is anticipated to reach full capacity and require closure in the next 2-3 years.

As of December 31, 2017, the City had sufficient funds set aside to fund the projected \$3,780,000 construction costs of the second phase closure infrastructure and provide 18% of the estimated \$3,315,000 post-closure monitoring expenses which are required for 30 years after the cell stops accepting waste. Cash and investments of \$4,372,800 or 64% of the estimated costs recognized to date have been accumulated. The life of the cell currently in use is extended each year through continued efforts toward waste diversion.

The additional \$2,494,500 of reserves necessary for post-closure care will be funded annually with rate revenue. The estimate of the cost to close and provide post closure care may differ from the actual cost due to inflation, changes in technology, or changes in regulations.

Solid Waste Fund Graphs

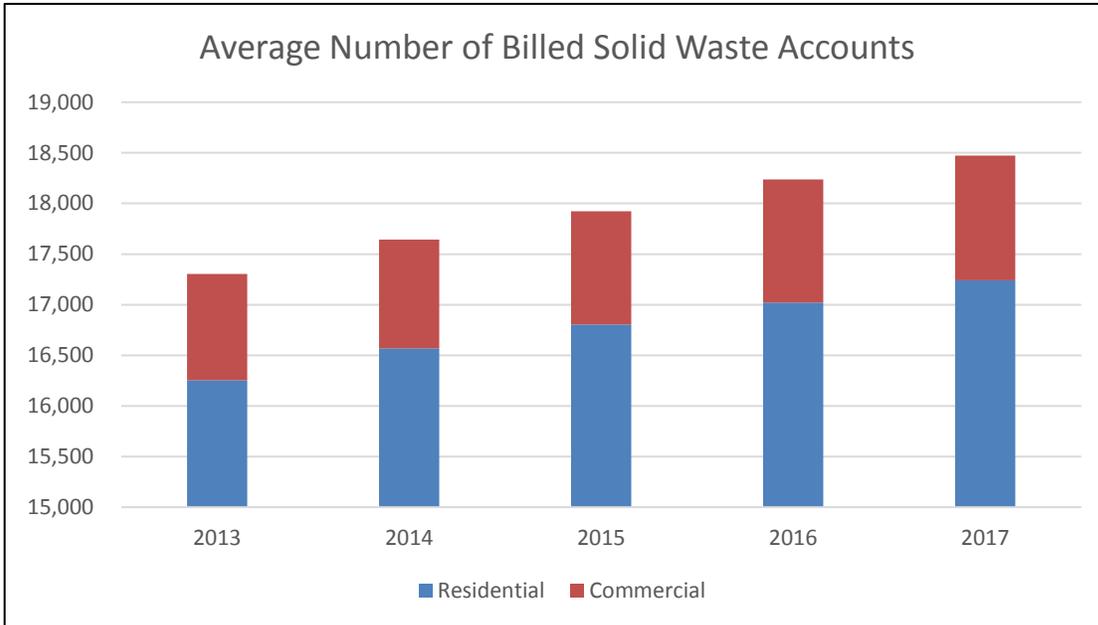
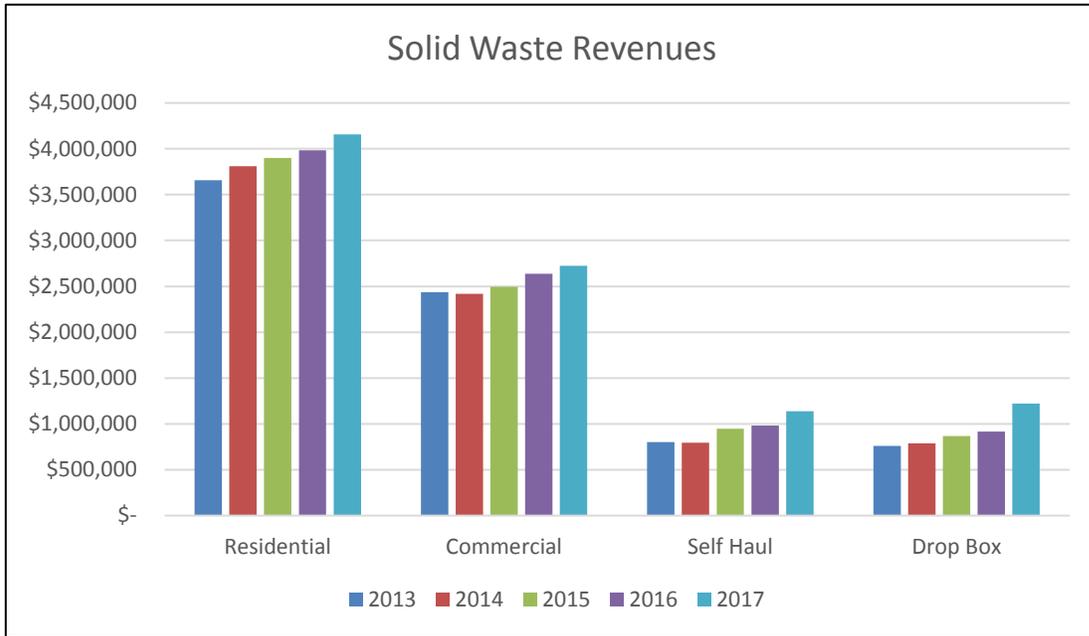
For the Period Ended December 31, 2017



**CITY OF RICHLAND, WASHINGTON**

**Solid Waste Fund Graphs**

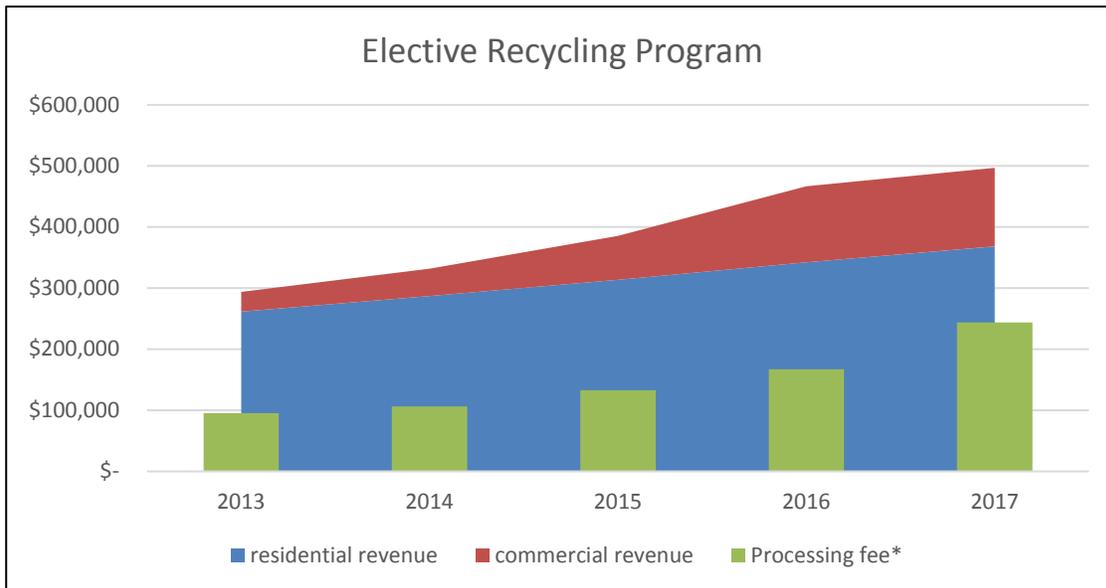
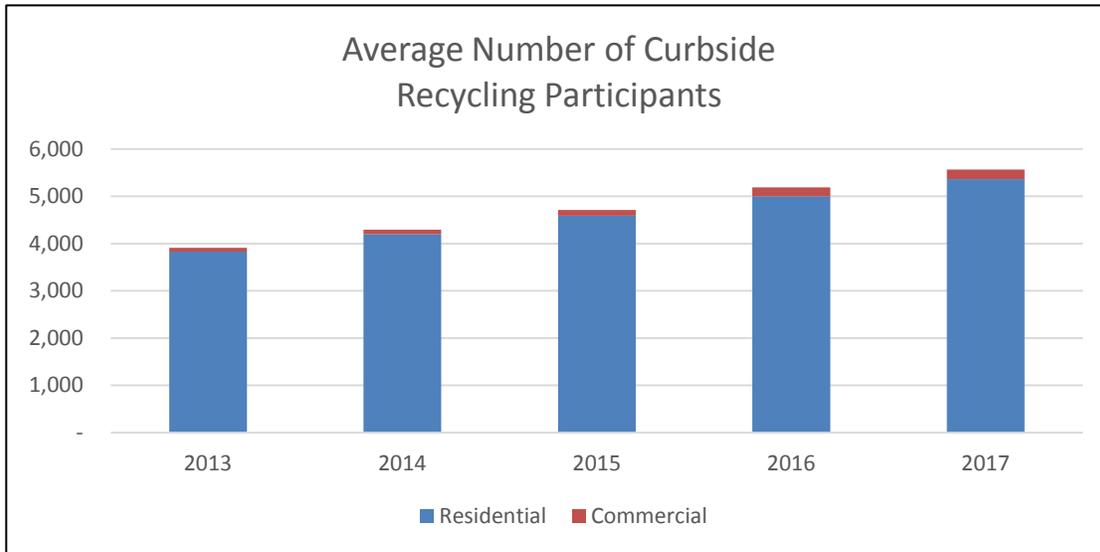
**For the Period Ended December 31, 2017**



**CITY OF RICHLAND, WASHINGTON**

**Solid Waste Fund Graphs**

**For the Period Ended December 31, 2017**



\* The processing fee is the direct material handling fee assessed by an outside agency. This does not reflect the total cost of the recycling services provided by the City.



**CITY OF RICHLAND, WASHINGTON**

**Stormwater Fund Financial  
Statements**

**For the Year Ended  
December 31, 2017**  
(Unaudited)

*Prepared by:*  
Administrative Services Department

**CITY OF RICHLAND~Stormwater Fund~As of December 31, 2017**

**STATEMENT OF NET POSITION**

**ASSETS**

*Current:*

Cash & equivalents		
Unrestricted	\$	662,144
Scheduled debt repayments		29,922
Management designated		-
Investments		1,495,842
Receivables:		
Customer accounts (net)		130,424
Due from other funds		-
Due from other governments		-
Prepaid Items		-
<b>Total current assets</b>		<u>2,318,332</u>

*Noncurrent:*

Restricted cash & equivalents		
Unspent bond proceeds		-
Unspent facility fees		-
Bond reserve covenant		-
Restricted Investments		72,228

Capital assets:

Land		8,587
Depreciable assets (net)		14,417
Infrastructure (net)		7,927,856
Construction in progress		23,993

Total capital assets 7,974,853

Total noncurrent assets 8,047,081

Total assets 10,365,413

**DEFERRED OUTFLOW OF RESOURCES**

Deferred Amount-Refunded Debt	\$	66,491
Deferred Amount-Pension Liability		14,654

Total deferred outflow of resources 81,145

**LIABILITIES**

*Current:*

Accounts payable & accrued expenses	\$	19,577
Interest on outstanding debt		7,365
Payable to other governments		-
Compensated absences-current portion		15,003
Claims & judgements-current portion		-
Notes & loans payable-current portion		98,158
Revenue bonds payable-current portion		115,000
<b>Total current liabilities</b>		<u>255,103</u>

*Noncurrent:*

Due to other funds		-
Compensated absences		15,003
Claims & judgements		-
Net pension liability		100,445
Notes & loans payable		190,925
Revenue bonds payable		975,413
Unearned revenue		-

Total noncurrent liabilities 1,281,786

Total liabilities 1,536,889

**DEFERRED INFLOW OF RESOURCES**

Deferred amount on pension liability 19,326

**NET POSITION**

Net investment in capital assets 6,651,573

Restricted for:

Debt service		102,150
Capital improvements		-

Unrestricted 2,136,620

Total net position \$ 8,890,343

**STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

**OPERATING REVENUES**

Charges for services:

Rate revenues	\$	1,851,648
All others		14,809
Other operating revenues		3,000
<b>Total operating revenues</b>		<u>1,869,457</u>

**OPERATING EXPENSES**

Maintenance		2,347
Operation		718,476
Administration & general		234,890
Taxes		191,840
Depreciation		214,841
<b>Total operating expenses</b>		<u>1,362,394</u>
<b>Operating income (loss)</b>	\$	<u>507,063</u>

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	\$	26,522
Net change in FMV interest		(5,945)
Interest expense		(63,628)
Debt costs		-
All other nonoperating revenues (expenses)		1,301
<b>Total nonoperating revenues (expenses)</b>		<u>(41,750)</u>

Income before capital contributions and transfers 465,313

Capital contributions 539,956

Transfers in -

Transfers out -

Change in net position 1,005,269

Net position-beginning 7,909,425

Prior period adjustment (24,351)

Net position-ending \$ 8,890,343

**CITY OF RICHLAND~Stormwater Fund~As of December 31, 2017**

**STATEMENT OF CASH FLOWS**

**CASH FLOWS FROM...**

*Operating activities:*

Receipts from...	
Customers and users	\$ 1,866,220
Interfund services provided	-
Grants & contributions	-
Payments to/for...	
Suppliers	(112,607)
Employees	(231,298)
Taxes	(191,844)
Interfund services used	(625,078)
Net cash provided (used)	<u>\$ 705,393</u>

*Noncapital activities:*

Receipts from...	
Customers and users	\$ 1,075
Grants & contributions	502,512
Transfers from other funds	-
Payments to/for...	
Other interest expense	
Interfund loans repaid	-
Transfers to other funds	-
Net cash provided (used)	<u>\$ 503,587</u>

*Capital activities:*

Receipts from...	
Bond proceeds	\$ 883,920
Transfers from other funds	-
Payments to/for...	
Principal paid on debt	(1,016,819)
Interest paid on debt	(112,422)
Debt Issuance Costs	(10,208)
Transfers to other funds	-
Capital spending	(276,787)
Net cash provided (used)	<u>\$ (532,316)</u>

*Investing activities:*

Receipts from...	
Interest earnings	\$ 26,522
Sale of investments	876,005
Payments to/for...	
Purchases of investments	(1,570,971)
Net cash provided (used)	<u>\$ (668,444)</u>
Net change in cash & equivalents	8,220
Cash & equivalents-beginning	683,845
Cash & equivalents-ending	<u><u>\$ 692,065</u></u>

**RECONCILIATION TO STATEMENT OF NET POSITION & STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION**

*Operating activities:*

Operating income (loss)	\$ 507,063
Adjustments for...	
Noncash transactions	
Depreciation	214,841
Annual pension liability	(11,521)
Cash transactions	
(Increase)/decrease in receivables	(4,497)
(Increase)/decrease in prepaid items	-
(Increase)/decrease in inventory	-
Increase/(decrease) in payables	(494)
Increase/(decrease) in unearned revenues	-
Net cash provided (used)	<u>\$ 705,393</u>

Contribution of capital assets	\$ 539,956
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**STORMWATER UTILITY**  
**Activity for the Year Ended December 31, 2017**

Revenue

The Stormwater utility has been effectively funding operations with no change to the Stormwater rates since 2009. For 2017, revenues decreased an overall .18% when compared with 2016. Residential revenue increased by 1.02% while commercial revenue reflected a 1.75% decrease. The breakdown of utility billing charges by customer type for the Stormwater utility is shown below.

**STORMWATER**

<b>Customer Class</b>	<b>2017 Stormwater Revenue</b>	<b>% of Total Stormwater Revenue</b>
Residential	\$837,332	45.2%
Commercial	1,014,316	54.8%
Total	\$1,851,648	100%

Expenses

The salaries and benefits expenses for 2017 were right on target with the budget. Although the overtime allocation was exceeded, the annual adjustment for accrued wages and pension expense brought the overall expense down to 94% of budget, or \$218,400.

Recognition of supplies expenses lagged minimally, as only 91% of the budget, or \$29,900 was expended. This can be attributed to timing of purchases and savings in the small tools category.

The service type expenses totaled \$82,000 for 2017, which exceeded budget by \$6,700. Utilities expense exceeded budget by \$2,500 due to the disposal of street sweeping materials, while licenses & permits were over budget by \$7,100 due to a 34% increase in the cost assessed for the utility's Stormwater permit from the Department of Ecology. Insurance costs exceeded budget by \$1,200, which was offset by a savings in expert services of \$3,700. This category also contains a significant allocation from capital project budgeting for components considered to be of a maintenance nature. The budget for this work effort was \$48,000 but only \$2,300 was completed during 2017.

For interfund services, the 2017 charges of \$186,600 for fleet maintenance exceeded budget by \$20,500. There were significant repairs needed to maintain the vector truck and one of the sweepers during the year. The overrun in this expense was offset by \$29,000 underspending in the charges for Street Sweeping services. Due to limited staff resources being allocated to all necessary street maintenance tasks, street sweeping is only performed when staff has additional time available.

Cost allocation expenses recorded for 2017 reflected a refund of the whole 2017 appropriation in this category. The 2016 true-up resulted in a rebate of charges for the Stormwater utility in the amount of \$197,306, while the annual budget was only \$132,200. The biggest components of the true-up are related to Financial and IT services. The 2016 true-up was the first calculation applying the new allocation model and there were significant changes in the utility billing allocation, which accounts for the one-time correction in the Financial Services category. For IT, the 2016 expenses were lower than anticipated, but some of this savings will be dedicated to future charges as the implementation of the ERP project commences.

There was also a savings in the charges for Public Works Admin & Engineering of \$59,000. Construction permit fees in the Public Works Admin & Engineering Fund exceeded budget expectations by \$325,000 which reduced the participation charges to the utilities.

#### Capital and Long-Term Debt Activity

For 2017, the Stormwater utility budgeted \$155,000 to complete water quality improvement features on the existing storm drainage system. This project did not meet the schedule and the funding will be carried over into 2018. A modest \$290,000 was also budgeted to allow for repairs that must be made during the year throughout the city. These projects are not typically large scale but are necessary to deal with unanticipated storm water repairs and improve system deficiencies. Spending of this nature totaled \$223,000.

Revenue bonds were issued in June of 2017 in the amount of \$884,000. The proceeds were used to refund a portion of the existing 2009 bond issue.

#### Financial Position and Economic Outlook

The utility's operating income at the end of 2017 was \$505,000. Operating revenues outpaced operating expenses at a modest pace, contributing towards an unreserved fund balance which is exceeding the UAC recommended level by \$1.97 million. The operating income of the utility is used to support payment of debt service and rate supported capital projects. The total budget of those items in 2018 is approximately \$2.2 million, of which \$1.05 million will be funded with available reserves.

Stormwater Fund Graphs

For the Period Ended December 31, 2017

