



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

**For the Year Ended**  
**December 31, 2018**  
(Unaudited)

*Prepared by:*  
Administrative Services Department

**CITY OF RICHLAND~Water Fund~As of December 31, 2018**

**STATEMENT OF NET POSITION**

**ASSETS**

<i>Current:</i>	
Cash & equivalents	
Unrestricted	1,708,997
Investments	3,125,255
Deposit with Third Party	5,775
Receivables:	
Customer accounts (net)	677,867
Due from other funds	-
Due from other governments	835,910
ULID Assessments - ST	15,936
Interfund loans	316,236
Prepaid items	6,337
Inventory	178,784
<b>Total current assets</b>	<b>6,871,097</b>
<i>Noncurrent:</i>	
Restricted Cash & equivalents	
Unspent bond proceeds	-
Bond Reserve	-
Cash held for debt service	847,046
Unspent facilities fees	4,371,870
Restricted Investments	
Unspent bond proceeds	6,141,798
Bond Reserve	1,289,260
Receivables	
ULID Assessments - LT	122,558
Interfund Loans	1,413,254
Capital assets:	
Land	5,604
Depreciable assets (net)	2,685,155
Infrastructure (net)	74,366,286
Construction in progress	2,905,212
<b>Total capital assets</b>	<b>79,962,257</b>
<b>Total noncurrent assets</b>	<b>94,148,043</b>
<b>Total assets</b>	<b>101,019,140</b>

**DEFERRED OUTFLOW OF RESOURCES**

Deferred amount on refunding debt	202,694
Deferred amount pension and OPEB	219,751
<b>Total deferred outflow of resources</b>	<b>422,445</b>

**LIABILITIES**

<i>Current:</i>	
Accounts payable & accrued expenses	632,302
Interest on outstanding debt	116,169
Payable to other governments	25,541
Notes payable-current portion	1,216,491
Deposits payable	30,965
Compensated absences-current portion	130,963
Revenue bonds payable-current portion	1,825,299
<b>Total current liabilities</b>	<b>3,977,730</b>

*Noncurrent:*

Unearned Revenue	122,558
Compensated absences	130,963
Net pension and OPEB liability	1,356,722
Notes & loans payable	4,847,117
Revenue bonds payable	17,497,196
<b>Total noncurrent liabilities</b>	<b>23,954,556</b>
<b>Total liabilities</b>	<b>27,932,286</b>

**DEFERRED INFLOW OF RESOURCES**

Deferred amount on pension and OPEB	338,827
<b>Total deferred inflow of resources</b>	<b>338,827</b>

**NET POSITION**

Net investment in capital assets	60,689,816
Restricted for:	
Debt service	2,152,242
Capital improvements	4,371,870
Unrestricted	5,956,544
<b>Total net position</b>	<b>73,170,472</b>

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

**OPERATING REVENUES**

Charges for services:	
Rate revenues	13,902,716
All others	1,580,637
Other operating revenues	-
<b>Total operating revenues</b>	<b>15,483,353</b>

**OPERATING EXPENSES**

Maintenance	2,414,371
Operation	2,683,711
Administration & general	1,766,057
Taxes	2,615,639
Depreciation	2,671,398
<b>Total operating expenses</b>	<b>12,151,176</b>
Operating income (loss)	3,332,177

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	378,162
Adjustment for Fair Market Value	(21,309)
Interest expense	(645,923)
Debt costs	-
All other nonoperating revenues (expenses)	1,786,223
<b>Total nonoperating revenues (expenses)</b>	<b>1,497,153</b>
<b>Income before capital contributions and transfers</b>	<b>4,829,330</b>
Capital contributions	2,800,264
Transfers in	-
Transfers out	(20,000)
<b>Change in net position</b>	<b>7,609,594</b>
Net position-beginning	65,560,878
Prior period adjustment	-
<b>Net position-ending</b>	<b>73,170,472</b>

**CITY OF RICHLAND~Water Fund~As of December 31, 2018**

**STATEMENT OF CASH FLOWS**

<b>CASH FLOWS FROM...</b>		<b>RECONCILIATION TO STATEMENT OF NET POSITION &amp; STATEMENT OF REVENUES, EXPENSES &amp; CHANGES IN NET POSITION</b>	
<i>Operating activities:</i>		<i>Operating activities:</i>	
Receipts from...		Operating income (loss)	\$ 3,332,177
Customers and users	\$ 15,596,746	Adjustments for...	
Interfund services provided	-	Noncash transactions	
Grants & contributions	-	Depreciation	2,671,398
		Accrued Pension and OPEB liabilities	(136,696)
		Cash transactions	
		(Increase)/decrease in receivables	136,514
		(Increase)/decrease in prepaid items	-
		(Increase)/decrease in inventory	(14,892)
		Increase/(decrease) in payables	179,969
Payments to/for...		Net cash provided (used)	\$ 6,168,470
Suppliers	(1,952,557)		
Employees	(2,563,963)	Contribution of capital assets	\$ 1,940,666
Taxes	(2,615,639)		
Interfund services used	(2,296,117)		
Net cash provided (used)	\$ 6,168,470		
<i>Noncapital activities:</i>			
Receipts from...			
Customers and users	\$ 113,444		
Interfund loans received			
Transfers from other funds			
Payments to/for...			
Interfund loans made	(1,706,150)		
Interfund loans repaid	3,890		
Transfers to other funds	(20,000)		
Net cash provided (used)	\$ (1,608,816)		
<i>Capital activities:</i>			
Receipts from...			
Grants & contributions	\$ 1,707,041		
Bond proceeds received	-		
Transfers from other funds	-		
Payments to/for...			
Principal paid on debt	(2,979,260)		
Interest paid on debt	(895,095)		
Cost of bond issuance	-		
Transfers to other funds	-		
Capital spending	(3,533,880)		
Net cash provided (used)	\$ (5,701,194)		
<i>Investing activities:</i>			
Receipts from...			
Interest earnings	\$ 371,050		
Sale of investments	8,971,377		
Payments to/for...			
Purchases of investments	(10,594,191)		
Net cash provided (used)	(1,251,764)		
Net change in cash & equivalents	(2,393,304)		
Cash & equivalents-beginning	9,321,217		
Cash & equivalents-ending	\$ 6,927,913		

**WATER UTILITY**  
**Activity for the Year Ended December 31, 2018**

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. For 2018, the class of service revenue was 6.6% higher than the 2017 revenues. Consumption was approximately 2.8% higher for residential users and multifamily accounts. Commercial consumption was 17.23% higher when compared to 2017, which was primarily driven by the operation of a new major industrial facility. The overall combined consumption increased 9.3% for all classes when compared to 2017.

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>2018 Water Sale Revenue</b>	<b>% of Total Water Sales Revenue</b>
Residential	3,371,454	49.2%	\$8,801,953	63.3%
Commercial	3,275,022	47.8%	4,511,713	32.5%
Multifamily	211,802	3.0%	589,050	4.2%
<b>Total</b>	<b>6,858,278</b>	<b>100.0%</b>	<b>\$13,902,716</b>	<b>100.0%</b>

Expenses

The salaries and benefits expenses for 2018 were \$2,473,909, which came in under budget by 6%. Although the utility exceeded estimates for overtime and intermittent salaries, savings from attrition and the effect of the year-end pension adjustment provided an overall savings for the utility.

Recognition of \$451,350 in expenses for operating supplies for 2018 expended 76% of the supplies budget. Expenses in this category are primarily driven by the timing of chemical purchases, replacement of the ultraviolet light bulbs at the UV facility and periodic exchange of water meter and boxes throughout the city. There was \$193,493 of budget capacity in the supplies category to support planned long-term maintenance projects that are not considered capital in nature. Of this, \$160,132 will be carried forward to 2019.

The service type expenses for 2018 totaled \$1,705,678, which expended 100% of the budget for this category of cost. The largest component in this category is utilities, which accounts for 60% of the service type expenses. This expense exceeded the line-item budget by 6.5% but the costs were offset by savings in other categories.

The 2018 charges for interfund services were \$2,215,517, which expended 79% of the category budget. Fleet maintenance expenses were \$163,249, which came in 29% under budget. Regular maintenance and current fuel costs have a positive impact on these service charges. Cost allocation expenses recorded for 2018 were \$839,435, which was 77% of the budget. The 2017 true up offset current costs by \$256,024. Some of these savings will be utilized next year as the City's ERP project implementation continues. Charges from the Electric Fund for meter reading and electrical maintenance work were \$372,269, which was right on budget. Charges for project support provided by the Public Works Engineering and Administration Fund also came in considerably under budget. Higher than anticipated revenues from outside sources provides for a reduction of service charges to the utilities that benefit from engineering services.

Expenses for taxes were \$2,615,638, which exceeded the category budget by 1.9%. The expense recognized is a direct reflection of the utility's revenue collections.

#### Capital and Long-Term Debt Activity

The Water Utility had multiple capital projects planned for 2018 with financing from rates, facilities fees, bonds and grants. The total budget for capital was \$9.7 million, with actual expenses of \$3,547,796.

The two most significant projects included in the 2018 budget were the \$2.9 million Yakima River Pipeline Replacement and the \$3.2 million Automatic Meter Reading System (AMI). Spending on the pipeline project was \$2,241,617 for the acquisition of the piping but the installation of the system is dependent on the Duportail Bridge construction schedule. The AMI project is currently beginning as a Request for Proposal has been issued but the actual infrastructure development will not begin until 2019.

Revenue bonds were issued in June of 2017 to finance several capital projects, including a portion of the Yakima River Pipeline Replacement. At the end of 2018, unspent bond proceeds totaled \$6.14 million.

Another capital-financing component utilized by the Water Utility is facilities fees. \$112,500 was earmarked in 2018 to support capital projects, which will be carried forward into the 2019 budget. At the end of the year, the available balance was \$4.37 million.

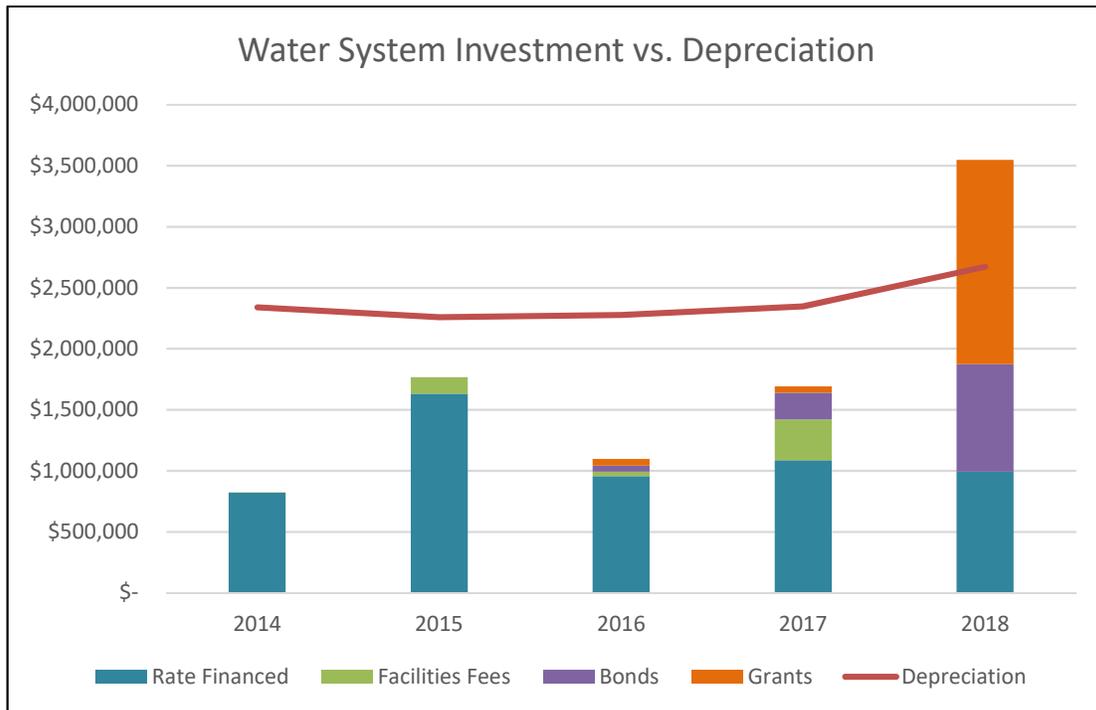
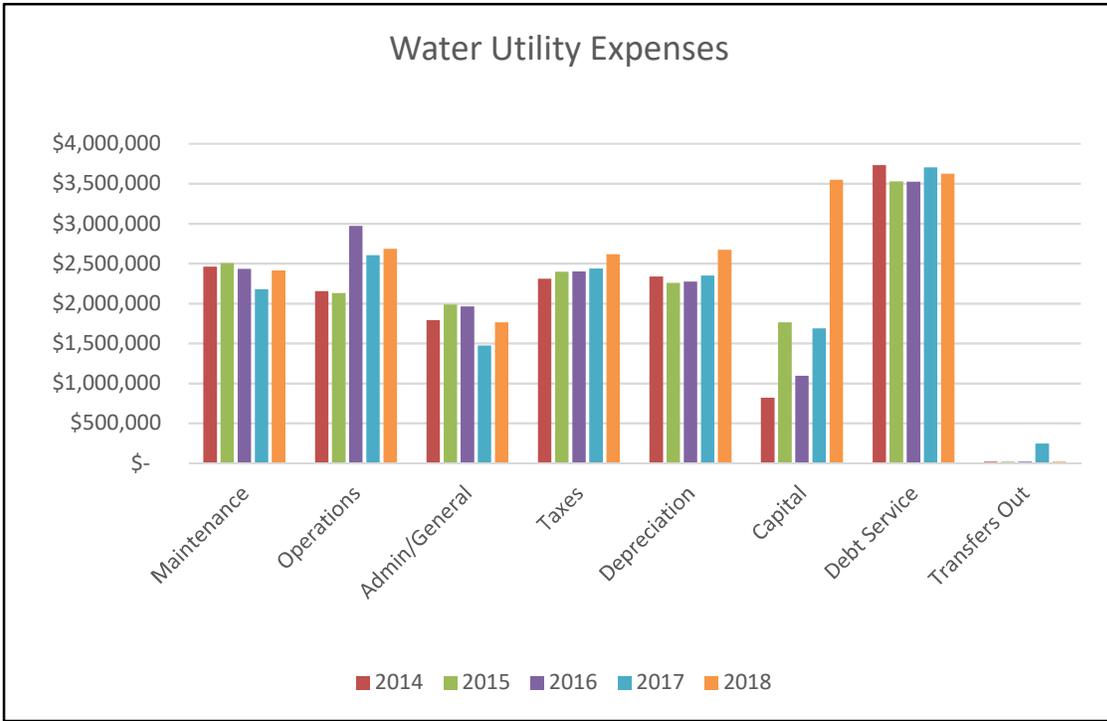
At year-end, the Water Utility issued an interfund loan for \$1,706,150 to the Streets Construction Fund, to provide interim financing of the Duportail Bridge construction. This loan bears an interest rate of 2.5% and will be repaid over five years from the revenues of the Transportation Benefit District Fund.

#### Financial Position and Economic Outlook

The utility's operating income for 2018 was \$3,332,177 as operating revenues considerably outpaced the expense growth. The unreserved fund balance is currently exceeding the Utility Advisory Committee's recommended 45-day operating reserve by \$4.9 million. The available balance will support future payments of the required annual debt service and provide funding for rate supported capital projects.

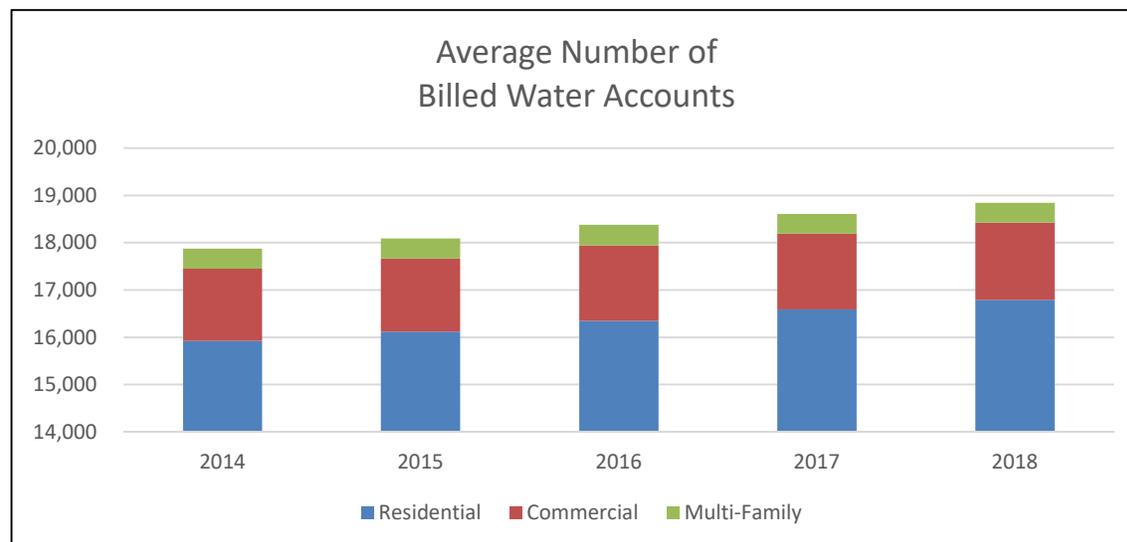
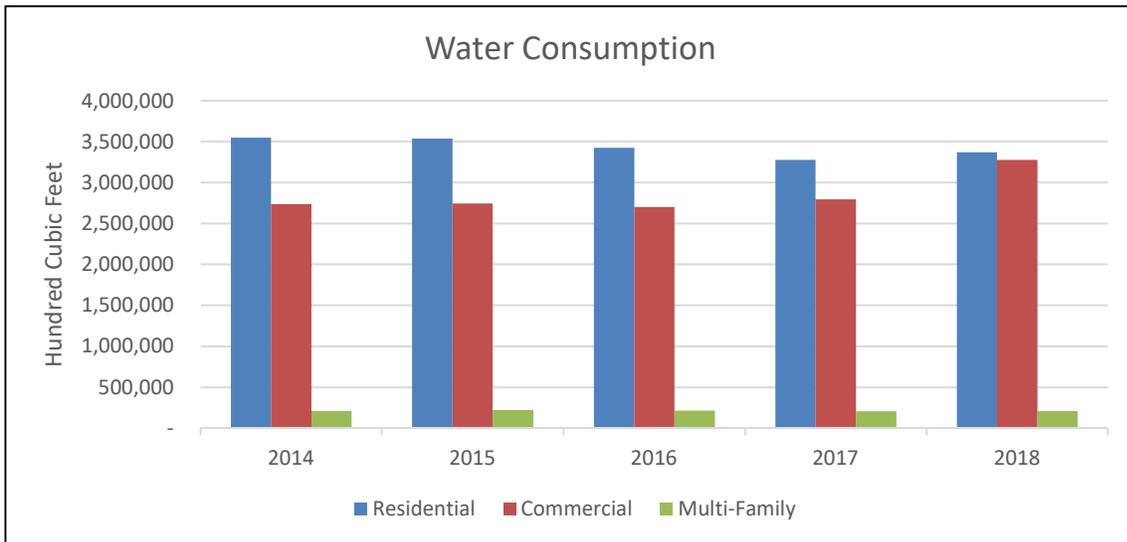
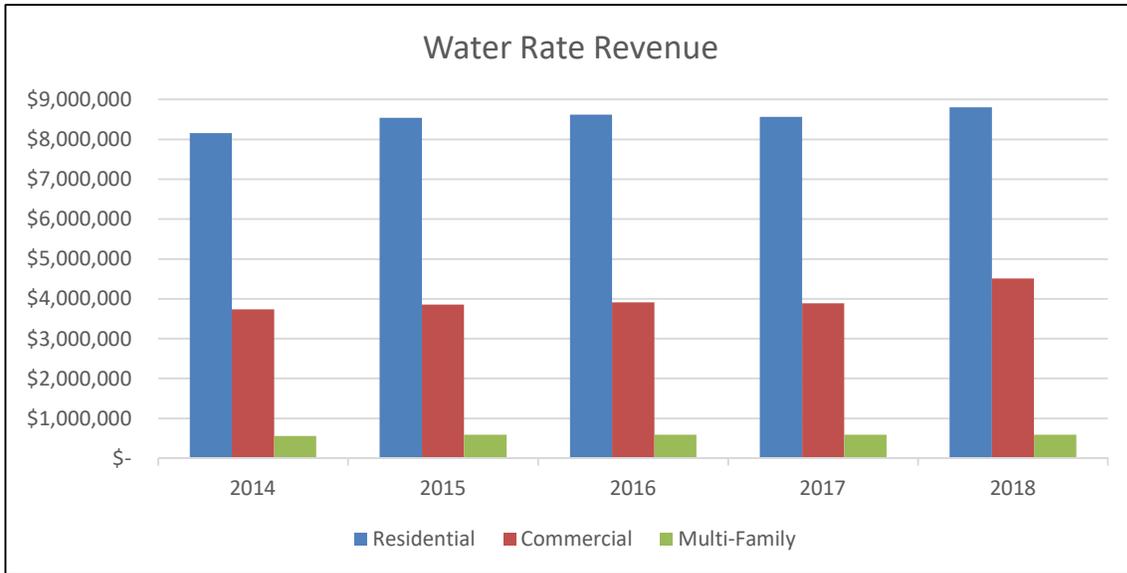
Water Fund Graphs

For the Period Ended December 31, 2018



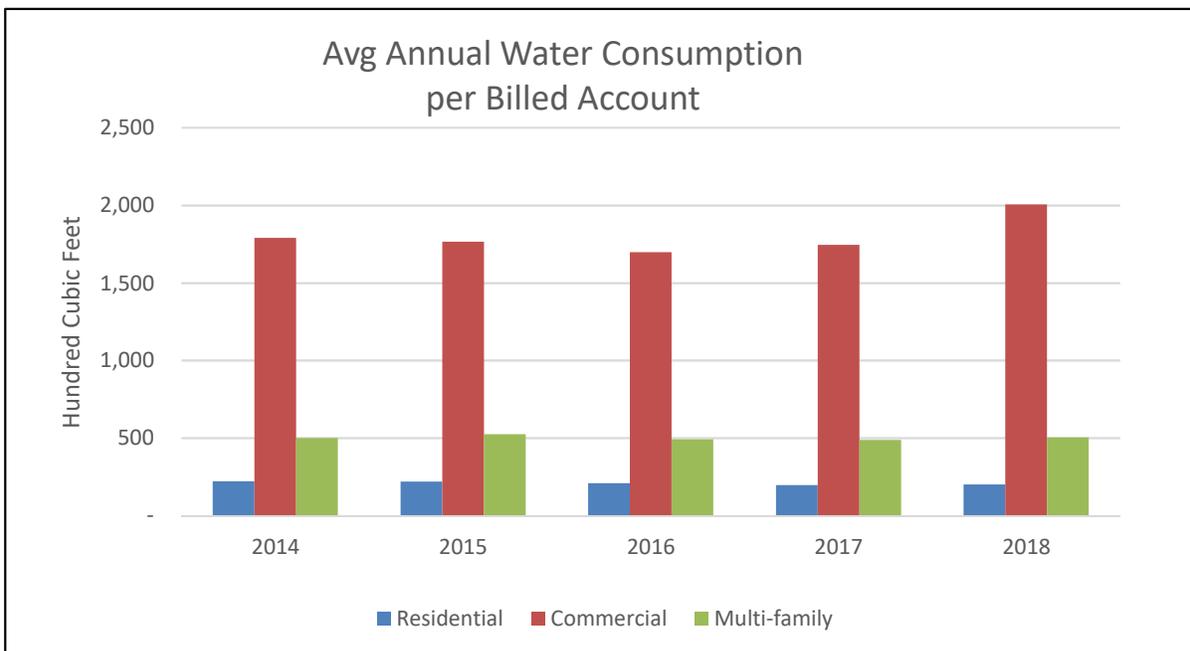
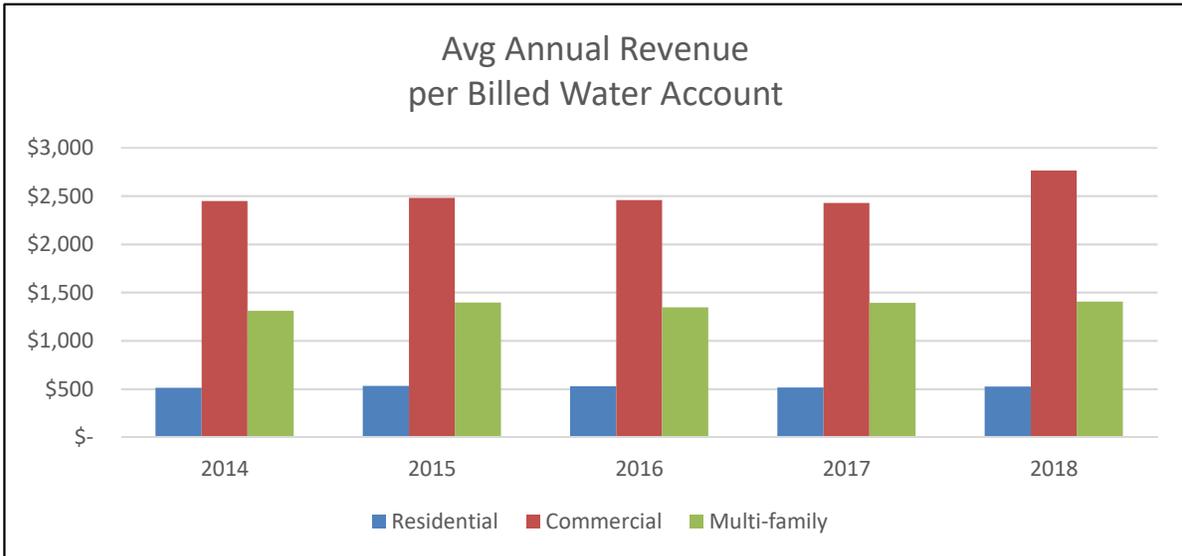
Water Fund Graphs

For the Period Ended December 31, 2018



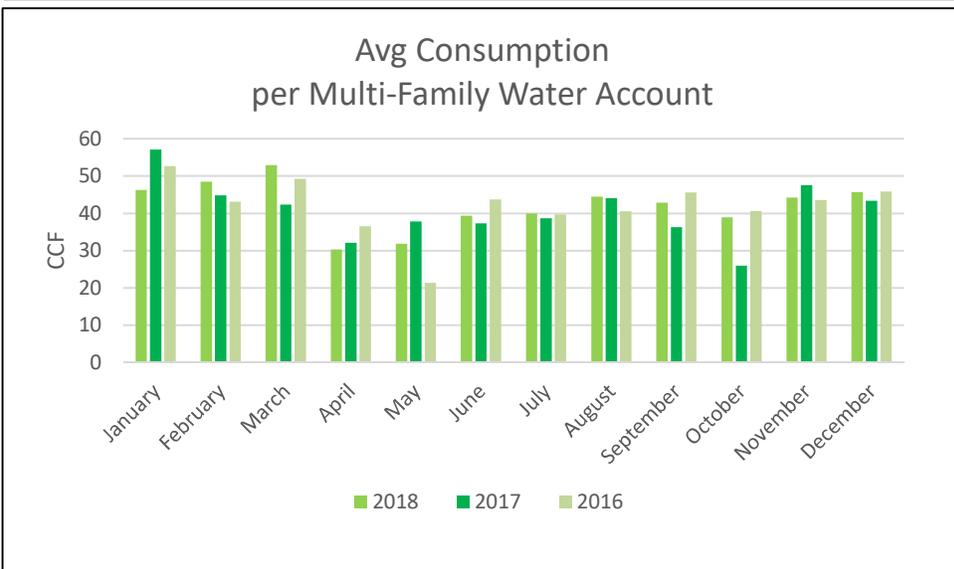
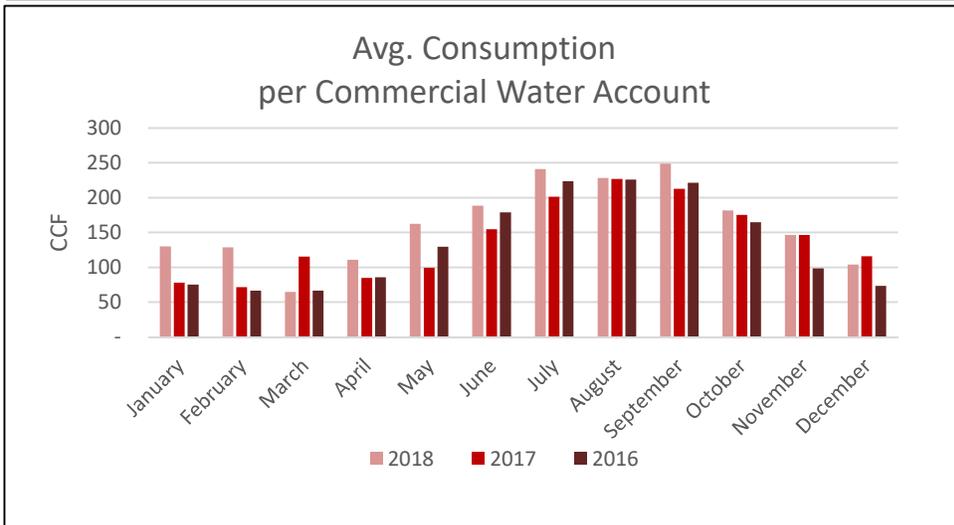
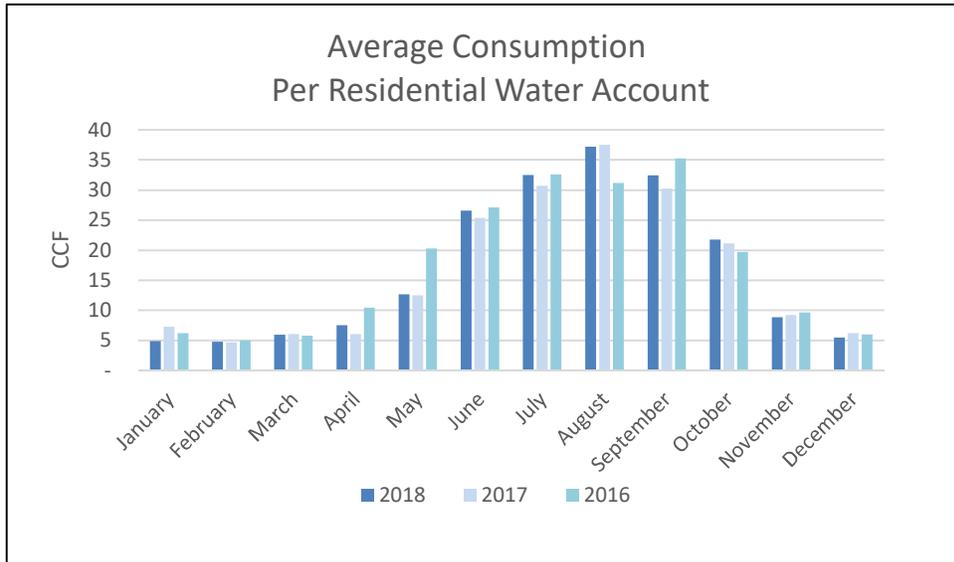
Water Fund Graphs

For the Period Ended December 31, 2018



Water Fund Graphs

For the Period Ended December 31, 2018





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

**For the Year Ended  
December 31, 2018**

(Unaudited)

*Prepared by:*  
Administrative Services Department

**CITY OF RICHLAND~Wastewater Fund~As of December 31, 2018**

**STATEMENT OF NET POSITION**

<b>ASSETS</b>		<b>DEFERRED OUTFLOW OF RESOURCES</b>	
<i>Current:</i>		Deferred Amount-Refunded Debt	287,713
Cash & equivalents		Deferred Amount-Pension and OPEB	189,788
Unrestricted	18,039	Total deferred outflow of resources	<u>477,501</u>
Management designated	156,000		
Investments	5,087,532	<b>LIABILITIES</b>	
Deposits with Third Parties	2,650	<i>Current:</i>	
		Accounts payable & accrued expenses	438,516
Receivables:		Interest on outstanding debt	80,601
Customer accounts (net)	724,606	Payable to other governments	-
Due from other governments	-	Deposits payable	6,202
ULID Assessments - ST	14,835	Compensated absences-current portion	83,687
Interfund loans:		Notes & loans payable-current portion	72,044
Short term	-	Revenue bonds payable-current portion	1,409,702
Long term	-	Total current liabilities	<u>2,090,752</u>
Prepaid items	-	<i>Noncurrent:</i>	
Inventory	1,098	Compensated absences	83,687
Total current assets	<u>6,004,760</u>	Net pension and OPEB liabilities	1,126,931
<i>Noncurrent:</i>		Notes & loans payable	997,480
Restricted Cash & equivalents		Revenue bonds payable	11,484,570
Scheduled debt repayments	222,332	Unearned revenue	270,086
Unspent facility fees	688,657	Total noncurrent liabilities	<u>13,962,754</u>
Investments		Total liabilities	16,053,506
Unspent facility fees	2,271,181		
Unspent bond proceeds	895,703	<b>DEFERRED INFLOW OF RESOURCES</b>	
Bond reserve covenant	813,009	Deferred Amount-Pension and OPEB	355,545
Receivables		Total deferred inflow of resources	<u>355,545</u>
ULID Assessments - LT	114,086		
Capital assets:		<b>NET POSITION</b>	
Depreciable assets (net)	10,746,650	Net investment in capital assets	48,322,001
Infrastructure (net)	46,991,396	Restricted for:	
Construction in progress	3,654,592	Debt service	2,721,357
Total capital assets	<u>61,392,638</u>	Capital improvements	1,288,657
Total noncurrent assets	<u>66,397,606</u>	Unrestricted	4,138,801
Total assets	<u>72,402,366</u>	Total net position	<u>56,470,816</u>

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

<b>OPERATING REVENUES</b>		<b>NONOPERATING REVENUES (EXPENSES)</b>	
Charges for services:		Interest earnings	236,354
Rate revenues	9,388,304	Adjustment for Fair Market Value	(28,993)
All others	164,408	Interest expense	(440,047)
Other operating revenues	-	Debt costs	-
Total operating revenues	<u>9,552,712</u>	All other nonoperating revenues (expenses)	68,558
		Total nonoperating revenues (expenses)	<u>(164,128)</u>
<b>OPERATING EXPENSES</b>		Income before capital contributions and transfers	1,290,833
Maintenance	1,693,166	Capital contributions	2,358,373
Operation	2,354,815	Transfers in	-
Administration & general	864,817	Transfers out	(5,000)
Taxes	1,257,827	Change in net position	<u>3,644,206</u>
Depreciation	1,927,126		
Total operating expenses	<u>8,097,751</u>	Net position-beginning	52,826,611
Operating income (loss)	1,454,961	Prior period adjustment	-
		Net position-ending	<u>56,470,816</u>

**CITY OF RICHLAND~Wastewater Fund~As of December 31, 2018**

**STATEMENT OF CASH FLOWS**

**CASH FLOWS FROM...**

*Operating activities:*

Receipts from...	
Customers and users	\$ 9,504,344
Interfund services provided	-
Grants & contributions	-
Payments to/for...	
Suppliers	(1,222,759)
Employees	(2,630,994)
Taxes	(1,257,827)
Interfund services used	(1,241,890)
Net cash provided (used)	<u>\$ 3,150,874</u>

*Noncapital activities:*

Receipts from...	
Customers and users	\$ 72,161
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>\$ 67,161</u>

*Capital activities:*

Receipts from...	
Grants & contributions	\$ 935,128
Bond proceeds received	-
Interfund loans repaid	
Payments to/for...	
Principal paid on debt	(1,432,217)
Interest paid on debt	(588,895)
Cost of bond issuance	-
Transfers to other funds	-
Capital spending	(3,363,315)
Net cash provided (used)	<u>\$ (4,449,299)</u>

*Investing activities:*

Receipts from...	
Interest earnings	\$ 229,732
Sale of investments	5,623,086
Payments to/for...	
Purchases of investments	(8,816,900)
Net cash provided (used)	<u>\$ (2,964,082)</u>
Net change in cash & equivalents	(4,195,346)
Cash & equivalents-beginning	5,280,374
Cash & equivalents-ending	<u>\$ 1,085,028</u>

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

*Operating activities:*

Operating income (loss)	\$ 1,454,961
Adjustments for...	
Noncash transactions	
Depreciation	1,927,126
Annual Pension & OPEB liabilities	(188,281)
Cash transactions	
(Increase)/decrease in receivables	(45,720)
(Increase)/decrease in prepaid items	-
(Increase)/decrease in inventory	-
Increase/(decrease) in payables	2,788

Net cash provided (used) \$ 3,150,874

Contribution of capital assets \$ 1,423,245

**WASTEWATER UTILITY**  
**Activity for the Year Ended December 31, 2018**

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 2018 was 1.8% higher when compared to 2017. When comparing the different classes of service, additional revenue in the residential class of service is solely based upon the addition of customers. Growth in this category was 1.2%. For the commercial and multi-family classes of service, consumption is a component of the billed charges. Consumption for 2018 was relatively flat when compared to 2017, with an increase of .97%. Commercial consumption increased by 2,120 units and multifamily consumption increased by 8,360 units.

**WASTEWATER (WW)**

<b>Customer Class</b>	<b>2018 WW Sales Revenue</b>	<b>% of Total WW Sales Revenue</b>
Residential	\$5,435,762	57.9%
Commercial	2,616,798	27.9%
Multi-family	1,335,744	14.2%
Total	\$9,388,304	100.0%

Expenses

The salaries and benefits expenses for 2018 were \$2,441,937, which expended 89% of the budget for this category. Although overtime and PTO cash-outs exceeded estimates, savings from attrition and year-end pension adjustments offset the overages.

Recognition of supplies expenses was \$338,837, which represented 89% of the budget for this category. Within this category, there was \$30,000 allocated for unplanned repairs and replacement of manhole covers, sewer castings and other parts needed as repairs to the system are performed. These costs were on budget for the year and there were no unusual supply needs for the utility during 2018.

The service type expenses totaled \$881,081, which only represents 56% of the budget for this category. The largest operating components are expert services and utilities expense. There was also \$664,365 of budget capacity in the other services & charges category to support planned long-term maintenance projects that are not considered capital in nature. Of this, \$641,385 will carry over into the 2019 budget.

The charges for interfund services for 2018 were \$1,241,890, which expended 69% of the category budget. Fleet maintenance expenses came in at \$138,319, which was about 34% under budget. Regular maintenance and current fuel costs have a positive impact on these service charges. Cost allocation expenses recorded for 2018 only expended 59% of the budget. The 2017 true up offset current costs by \$265,221. Some of these savings will be utilized next year as the City's ERP project implementation continues. Charges for project support provided by the Public Works Engineering and Administration Fund also came in considerably under budget. Higher than anticipated revenues from outside sources provides for a reduction of service charges to the utilities that benefit from engineering services.

Expenses for taxes in 2018 came in at \$1,257,827, which exceeded budget by 1.9%. The expenses recognized are a direct reflection of the utility's revenue collections.

### Capital and Long-Term Debt Activity:

The Wastewater Utility continues its effort to replace and repair deteriorating sewer lines. The 2018 budget provided \$6.9 million for these types of projects. The utility had two major planned projects in 2018, including \$3 million for Influent Upgrades and \$3.5 million for Collection System Renewals and Replacements. Funding for these projects is a combination of rate revenues, facilities fees and bond proceeds. Capital spending for 2018 totaled \$3,568,356 and the remaining \$3,331,791 will be carried forward to the 2019 budget.

Revenue bonds were issued in June of 2017 to refund a portion of the 2009 bond issue and finance several capital projects. In 2018, the utility spent \$2.99 million of bond proceeds on capital projects, leaving a balance of unspent bond proceeds totaling \$895,703.

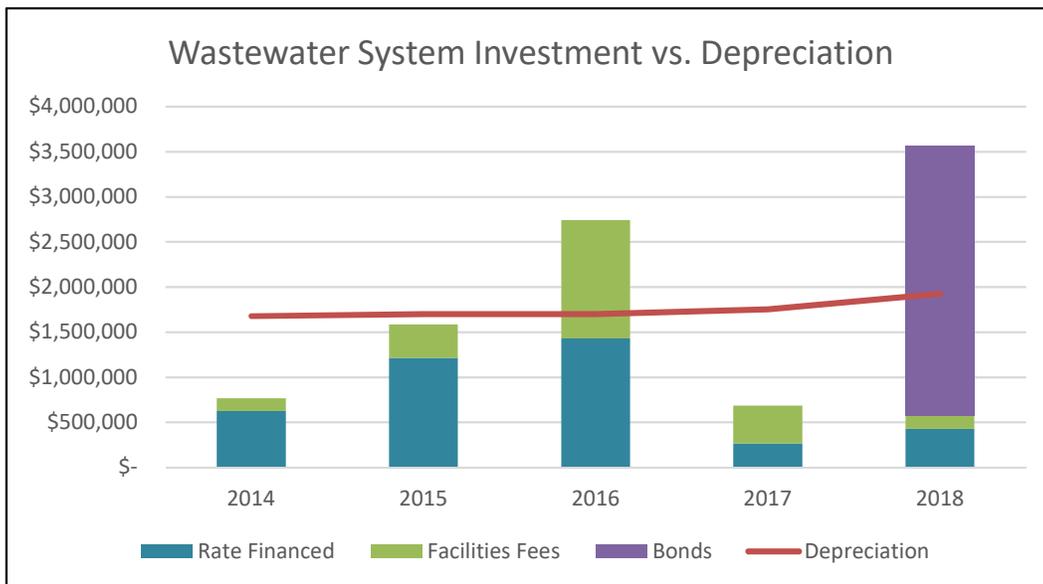
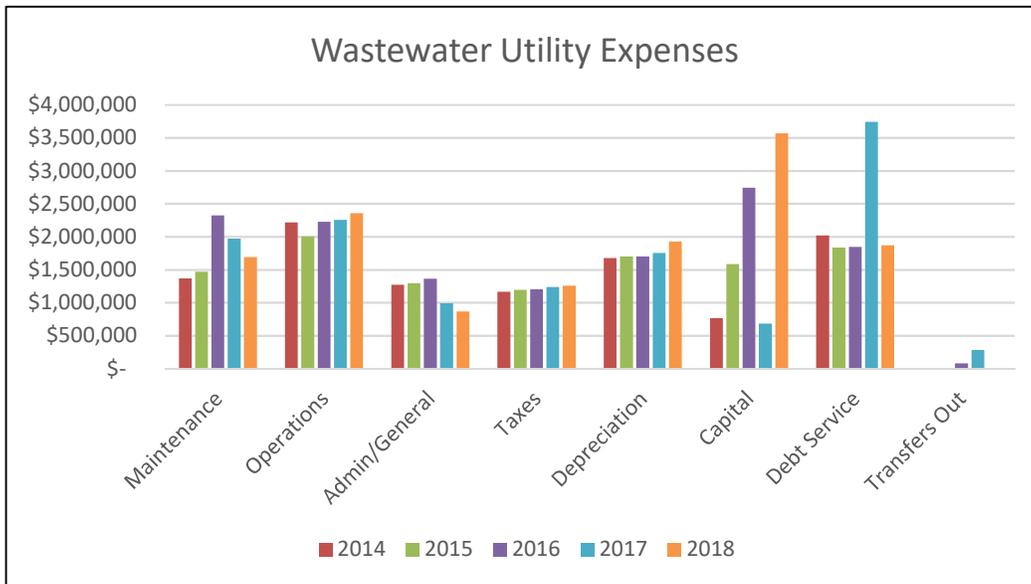
Another capital-financing component utilized by the Wastewater Utility is facilities fees. The 2018 budget earmarked \$1.6 million to spend on capital projects. As of December 31, the utility had funded \$145,360 in capital expenses from these funds, leaving an available balance of \$3.1 million.

### Financial Position and Economic Outlook

The utility's operating income for 2018 was \$1,454,961 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 \$3.3 million. The available balance will support future payments of the utility's required annual debt service and provide funding for rate supported capital projects.

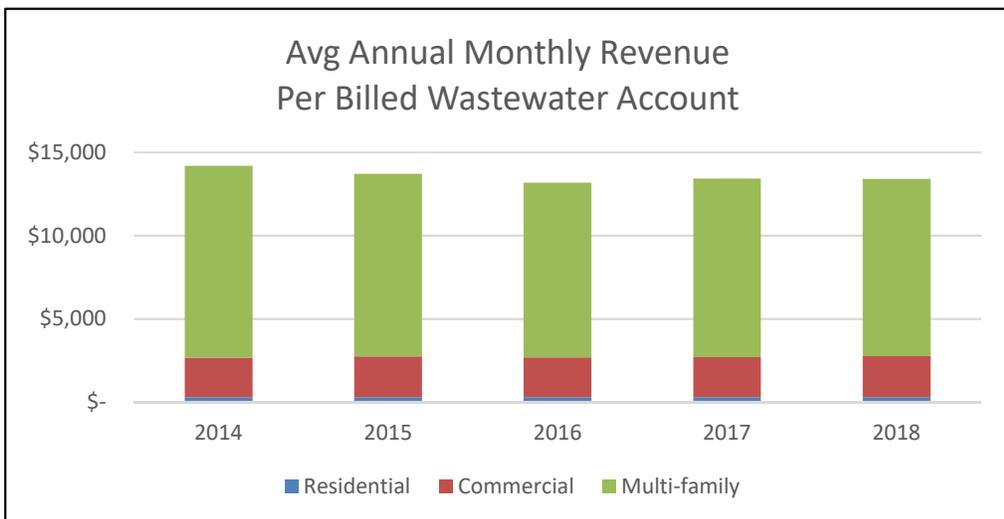
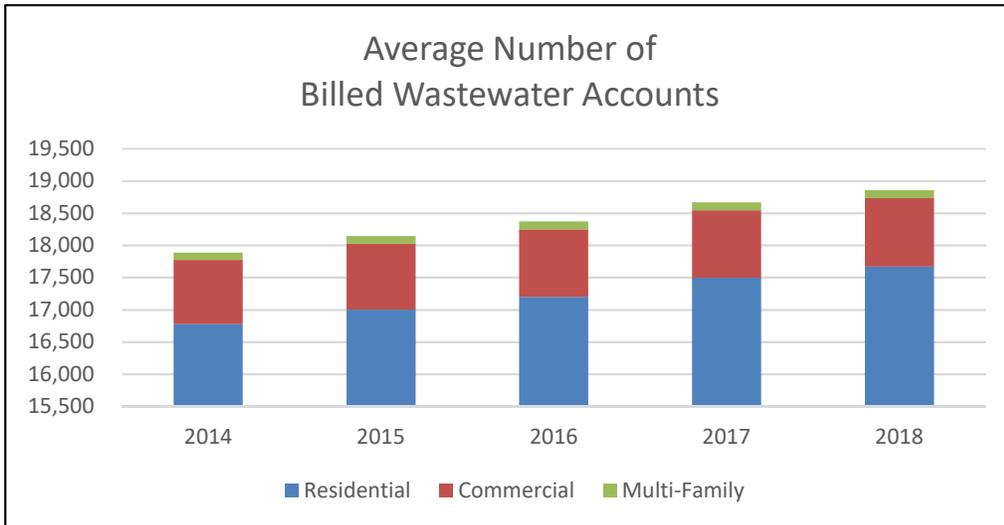
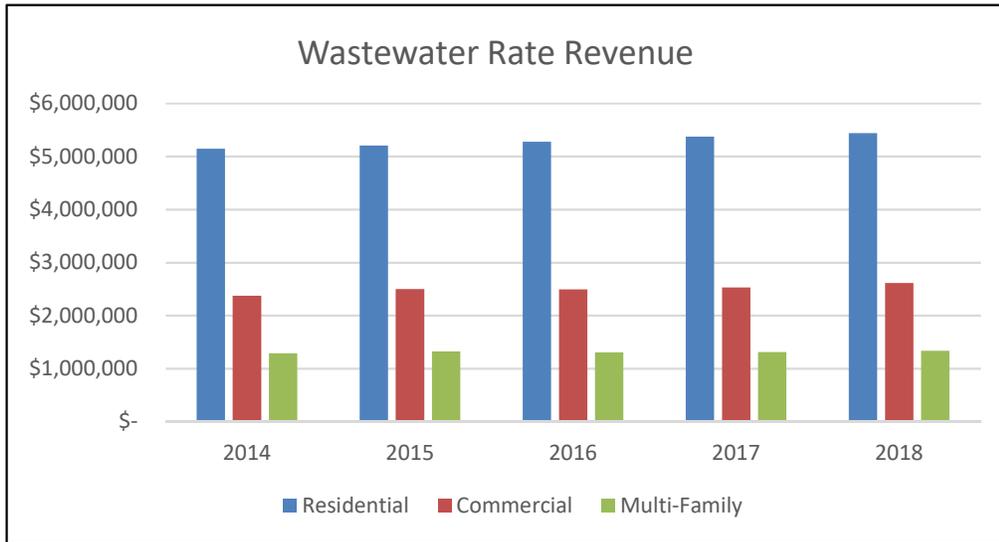
Wastewater Fund Graphs

For the Period Ended December 31, 2018



Wastewater Fund Graphs

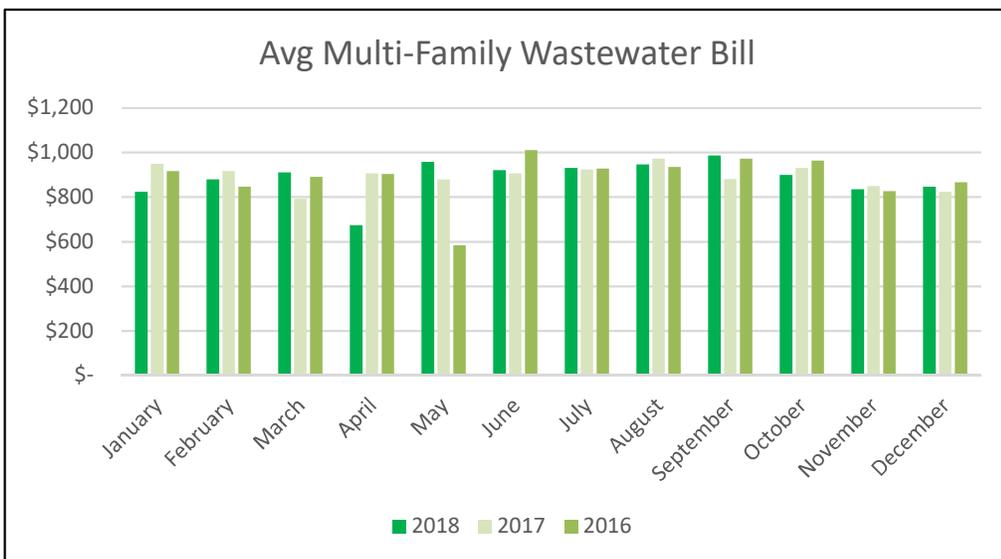
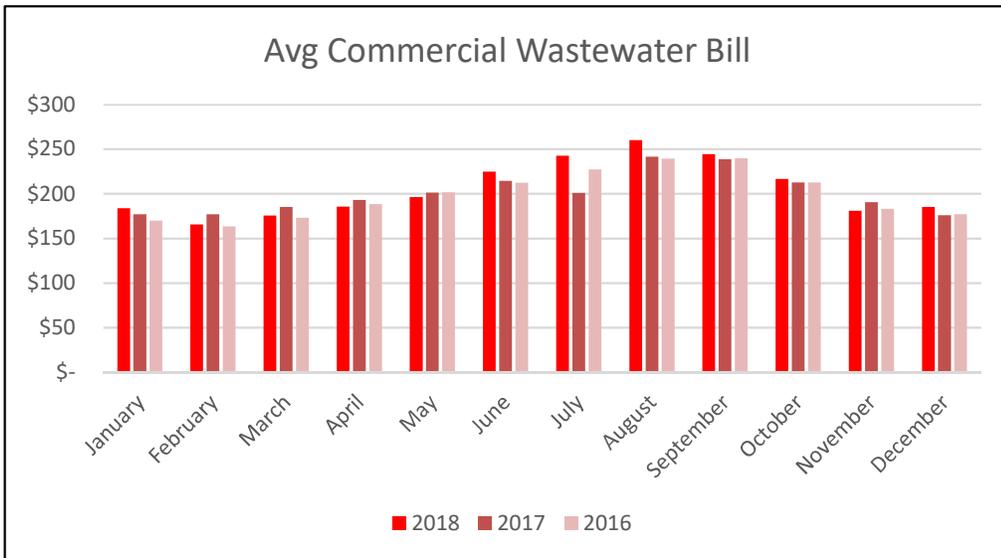
For the Period Ended December 31, 2018



**CITY OF RICHLAND, WASHINGTON**

**Wastewater Fund Graphs**

**For the Period Ended December 31, 2018**





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

**For the Year Ended**  
**December 31, 2018**  
(Unaudited)

*Prepared by:*  
Administrative Services Department

**CITY OF RICHLAND~Solid Waste Fund~As of December 31, 2018**

**STATEMENT OF NET POSITION**

**ASSETS**

*Current:*

Cash & equivalents	
Unrestricted	282,895
Investments	4,491,174
Deposits with Third Party	1,050

Receivables:

Customer accounts (net)	649,780
Due from other funds	-
Due from other governments	-

Prepaid items

	-
--	---

Total current assets 5,424,899

*Noncurrent:*

Restricted cash & equivalents	
Landfill closure/postclosure care	2,060,011
Scheduled debt repayments	11,594
Investments, restricted	2,383,715

Capital assets:

Land	80,500
Depreciable assets (net)	668,055
Infrastructure (net)	1,982,866
Construction in progress	51,159

Total capital assets 2,782,580

Total noncurrent assets 7,237,900

Total assets 12,662,799

**DEFERRED OUTFLOW OF RESOURCES**

Deferred Amount-Refunded Debt	3,637
Deferred Amount-Pension and OPEB	246,888
Total deferred outflow of resources	<u>250,525</u>

**LIABILITIES**

*Current:*

Accounts payable & accrued expenses	192,398
Interest on outstanding debt	344
Payable to other governments	29,423
Due to other funds	-

Compensated absences-current portion

115,068

GO bonds payable-current portion 138,973

Landfill closure/postclosure care-current portion -

Total current liabilities 476,206

*Noncurrent:*

Compensated absences 115,068

Net pension and OPEB liabilities 1,561,358

GO bonds payable -

Landfill closure/postclosure care 6,414,192

Total noncurrent liabilities 8,090,618

Total liabilities 8,566,824

**DEFERRED INFLOW OF RESOURCES**

Deferred Amount-Pension and OPEB 399,900

**NET POSITION**

Net investment in capital assets 2,627,460

Restricted for:

    Debt service 11,594

    Capital improvements (1,860,788)

Unrestricted 3,168,334

Total Net Position 3,946,600

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

**OPERATING REVENUES**

Charges for services:

Rate revenues	7,099,936
Landfill operations	1,280,405
Drop Box operations	1,205,615
All other operating revenues	<u>78,115</u>

Total operating revenues 9,664,071

**OPERATING EXPENSES**

Collection	4,157,613
Disposal	2,143,861
Administration & general	1,075,107
Taxes	1,147,162
Depreciation	213,852
Total operating expenses	<u>8,737,595</u>
Operating income (loss)	926,476

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	161,545
Net change in FMV interest	(18,096)
Interest Expense	(6,367)
Debt costs	-
All other nonoperating revenues (expenses)	<u>(441,642)</u>
Total nonoperating revenues (expenses)	<u>(304,560)</u>

Income before capital contributions and transfers 621,916

Capital contributions

-

Transfers In -

Transfers out -

Change in net position 621,916

Net position-beginning 3,324,684

Prior period adjustment -

Net position-ending 3,946,600

**CITY OF RICHLAND~Solid Waste Fund~As of December 31, 2018**

**STATEMENT OF CASH FLOWS**

**CASH FLOWS FROM...**

*Operating activities:*

Receipts from...	
Customers and users	\$ 9,737,653
Interfund services provided	\$ -
Grants & contributions	\$ -
Payments to/for...	
Suppliers	\$ (1,344,570)
Employees	\$ (2,890,467)
Taxes	\$ (1,147,187)
Interfund services used	\$ (3,474,539)
Net cash provided (used)	\$ 880,890

*Noncapital activities:*

Receipts from...	
Customers and users	\$ 44,719
Interfund loans received	\$ -
Interfund loans repaid	\$ 1,653,756
Transfers from other funds	\$ -
Payments to/for...	
Other interest expense	\$ -
Transfers to other funds	\$ -
Interfund loans made	\$ -
Net cash provided (used)	\$ 1,698,475

*Capital activities:*

Receipts from...	
Grants & contributions	\$ -
Transfers from other funds	\$ -
Payments to/for...	
Principal paid on debt	\$ (125,000)
Interest paid on debt	\$ (6,937)
Transfers to other funds	\$ -
Capital spending	\$ (66,922)
Net cash provided (used)	\$ (198,859)

*Investing activities:*

Receipts from...	
Interest earnings	\$ 181,177
Sale of investments	\$ 3,558,716
Payments to/for...	
Purchases of investments	\$ (6,899,557)
Net cash provided (used)	\$ (3,159,664)
Net change in cash & equivalents	\$ (779,158)
Cash & equivalents-beginning	\$ 3,133,658
Cash & equivalents-ending	\$ 2,354,500

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

*Operating activities:*

Operating income (loss)	926,476
Adjustments for...	
Noncash transactions	
Depreciation	213,852
Annual pension and OPEB liabilities	(267,286)
Cash transactions	
(Increase)/decrease in receivables	89,533
(Increase)/decrease in prepaid expenses	-
(Increase)/decrease in deferred charges	-
(Increase)/decrease in claims & judgements	-
Increase/(decrease) in payables	(81,685)
Increase/(decrease) in unearned revenues	-
Net cash provided (used)	880,890

**SOLID WASTE UTILITY**  
**Activity for the Year Ended December 31, 2018**

Revenue

Collection service revenues are typically level from month to month and represent collection containers at fixed locations. When comparing revenue collections of 2018 to 2017, there was an increase of \$219,254 or 3.2% in this category. The revenue earned by the landfill increased \$82,366 or 7.2%. Drop box revenues decreased \$14,404, or 1.2% less than 2017. This revenue typically fluctuates with the construction cycle.

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

<b>SOLID WASTE</b>		
<b>Customer Class</b>	<b>2018 Collection Revenue</b>	<b>% of Total Solid Waste Revenue</b>
Residential	\$4,231,858	59.6%
Commercial	2,868,078	40.4%
Total	\$7,099,936	100.0%

Expenses

The salaries and benefits expenses for 2018 totaled \$2,656,899, which was 12% under budget for the year. Although overtime and PTO cash outs were higher than anticipated, there were savings in salaries from attrition and year-end adjustments for pension recognition, which compensated for these overages.

Recognition of supplies expenses totaled \$262,928, which was on target with the budget. The largest supplies component is the purchase of new containers, which comprised 56% of the supplies budget. The completion of these orders represents 60% of all supplies expenses incurred during 2018.

The service type expenditures for 2018 totaled \$966,262, which was 84% of the budget for this category. The largest components in this category are expert services and recycling processing fees. Processing fees have been escalating and expended 100% of the budget for 2018. This was offset by expert services expenses, which only utilized 67% of this allocation. Expert services are comprised mainly of contamination remediation efforts, groundwater and gas monitoring, and the related lab work.

Expenses for interfund services totaled \$3,474,539, which was 95% of the budget for this category. Charges for fleet maintenance exceeded the budget by 4% for the Solid Waste Utility, which is the largest component of this expense category. While replacement of the aging fleet and level fuel costs are having a positive impact on these service charges, there was a costly repair required on a front loader during 2018, which drove expenses over the budget. Cost allocation expenses recorded for 2018 expended 81% of the budget. The 2017 true up offset current costs by \$164,147. Some of these savings will be utilized next year as the City's ERP project implementation continues. Charges for project support provided by the Public Works Engineering and Administration Fund also came in considerably under budget. Higher than anticipated revenues from outside sources provides for a cost reduction to the utilities that benefit from engineering services.

Expenses for taxes in 2018 exceeded the budget by 7%, at a cost of \$1,147,162. The expenses recognized are a direct reflection of our revenue collections.

### Capital and Long-Term Debt Activity

For 2018, the Solid Waste Utility had two planned projects. The capital budget included \$1,275,000 for design and the beginning of construction of the next disposal cell. There was also a modest \$20,000 budgeted for compost facility improvements. Total capital spending for the year was \$86,705 and the remaining \$1,260,000 will be carried forward into 2019.

The Solid Waste Utility loaned \$1.65 million of closure funds to the Streets Construction Fund to provide interim financing for the Duportail Bridge construction project. This loan was repaid at the end of 2018 in anticipation of the closure of the current cell.

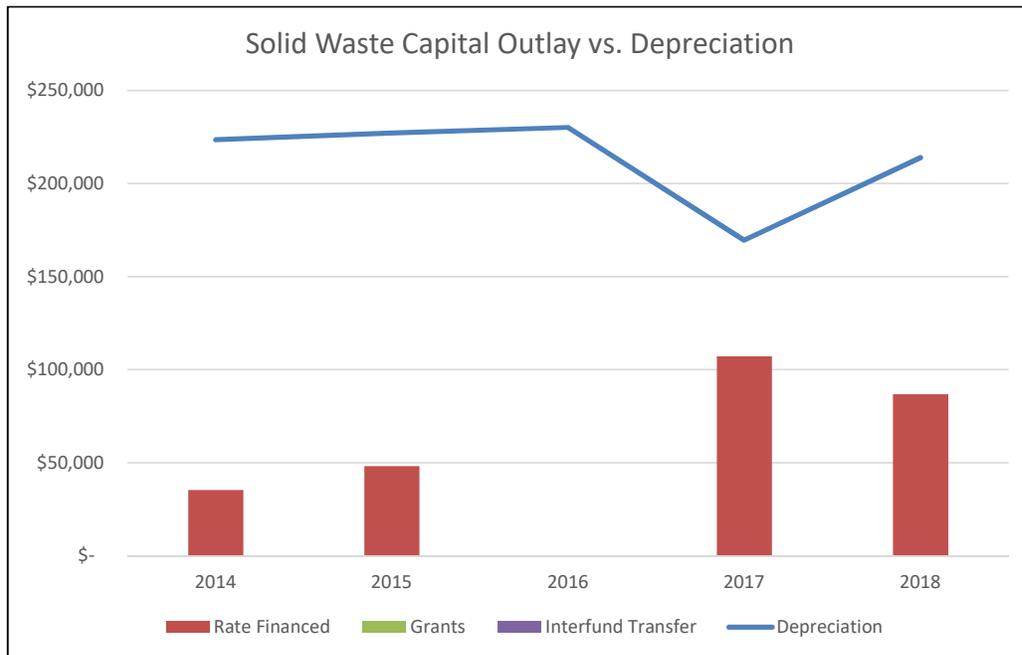
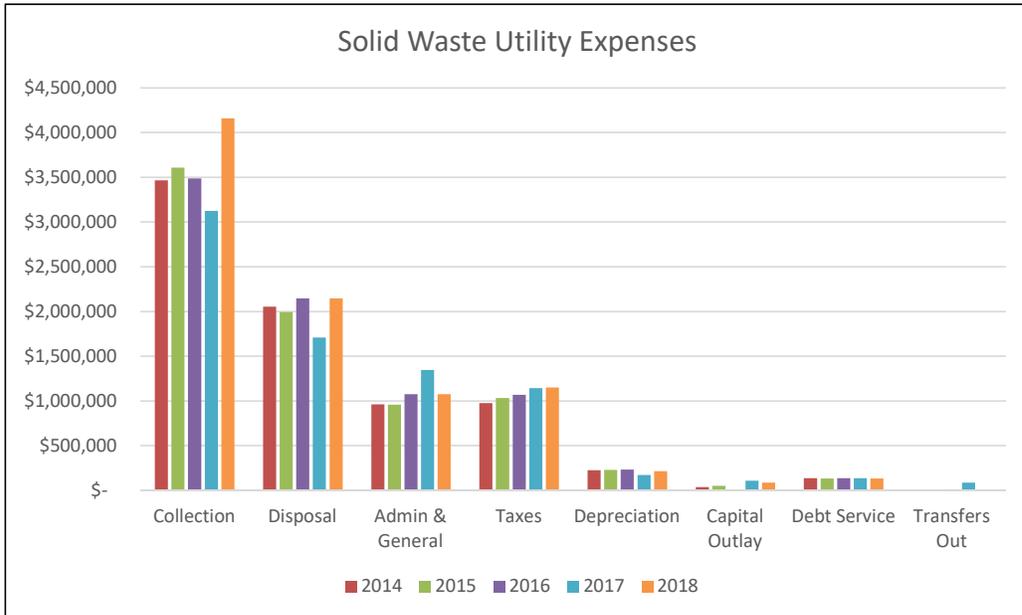
### Financial Position and Economic Outlook

For 2018, the results of operations for the Solid Waste Utility reflected a net income of \$926,476. The unreserved fund balance is currently exceeding the UAC recommended level by \$183,750 after covering the \$1.97 million unfunded portion of the estimated liability for post-closure care recognized through 2018. 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 Post-Closure 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 2020.

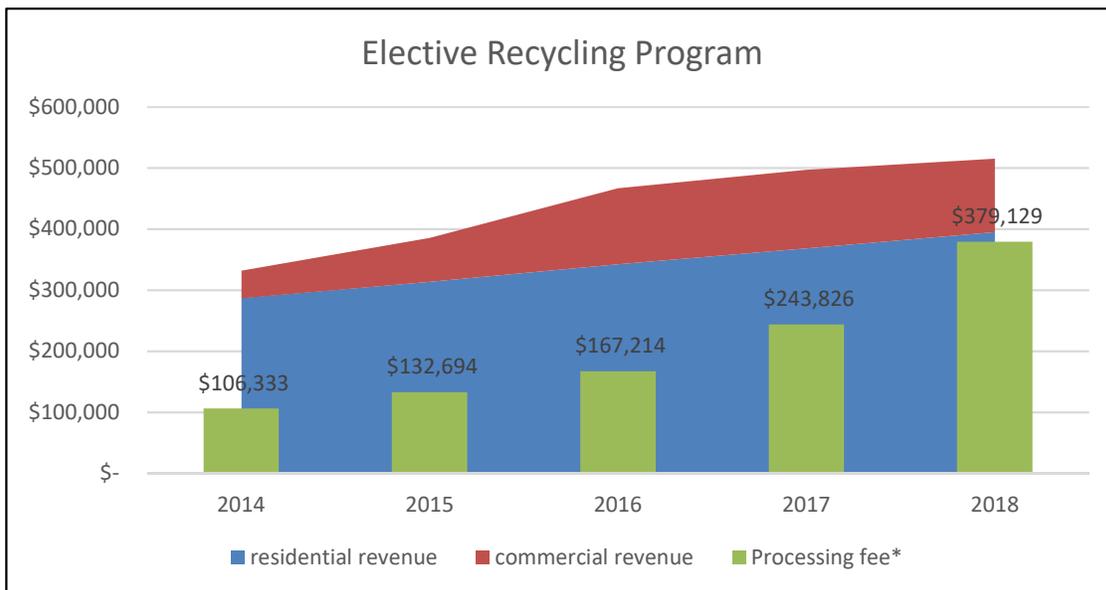
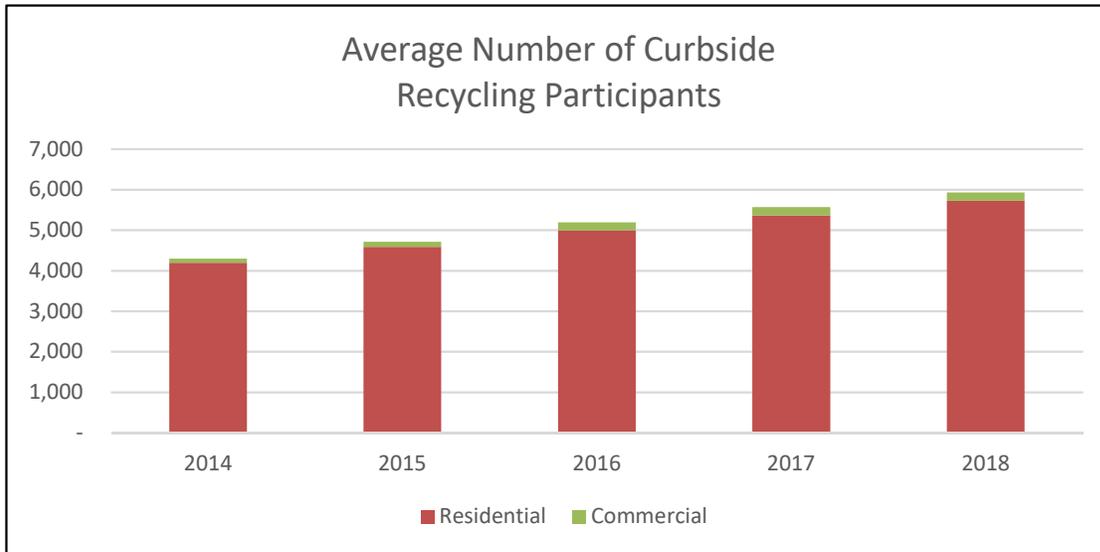
As of December 31, the City had sufficient funds set aside to fund the projected \$3,780,000 construction costs of the second phase closure infrastructure and provide 23% of the estimated \$3.45 million post-closure monitoring expenses, which are required for 30 years after the cell stops accepting waste. Cash and investments of \$4,443,726 have been accumulated through the end of 2018. The additional reserves necessary to fund post-closure care will be provided 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.



**CITY OF RICHLAND, WASHINGTON**

**Solid Waste Fund Graphs**

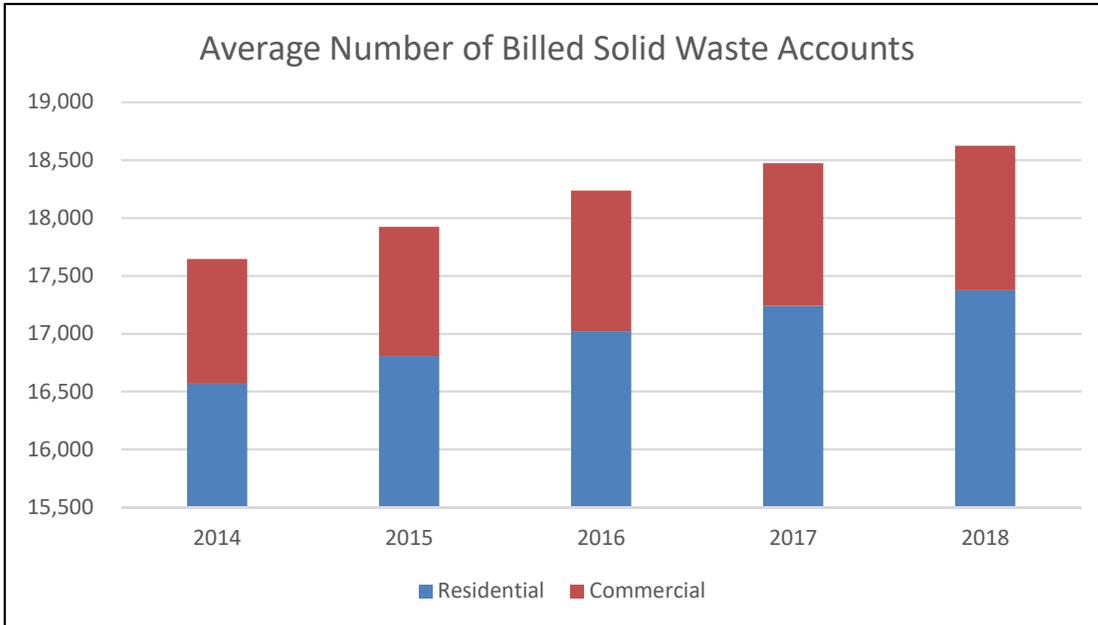
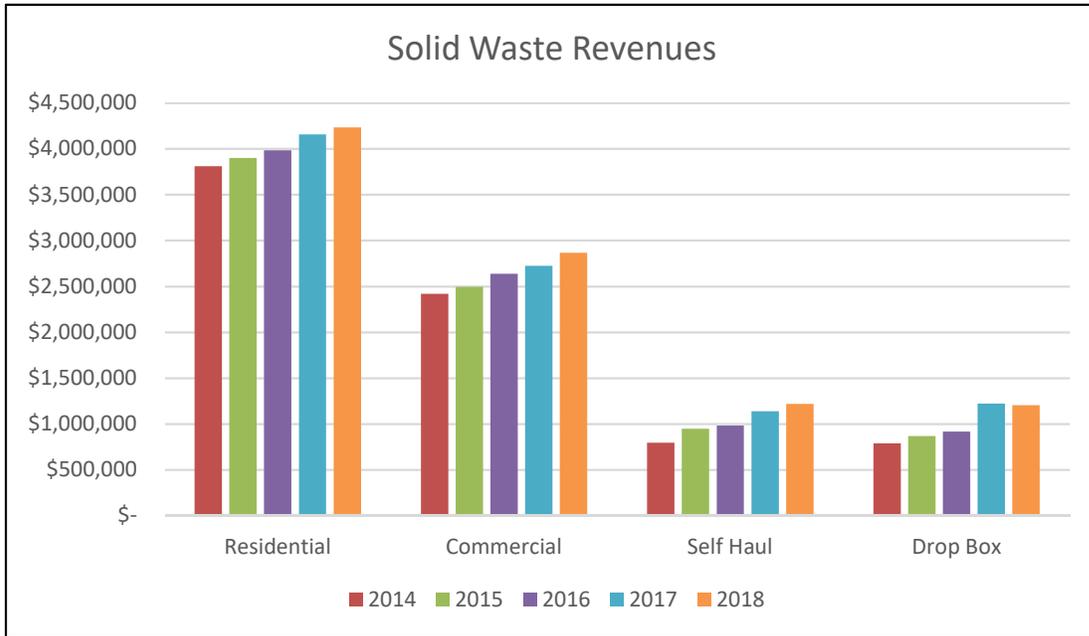
**For the Period Ended December 31, 2018**



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

Solid Waste Fund Graphs

For the Period Ended December 31, 2018





**CITY OF RICHLAND, WASHINGTON**

**Stormwater Fund Financial  
Statements**

**For the Year Ended  
December 31, 2018**  
(Unaudited)

*Prepared by:*  
Administrative Services Department

**CITY OF RICHLAND~Stormwater Fund~As of December 31, 2018**

**STATEMENT OF NET POSITION**

**ASSETS**

*Current:*

Cash & equivalents		
Unrestricted	\$	354,328
Management designated		-
Investments		2,102,943
Receivables:		
Customer accounts (net)		119,505
Due from other funds		-
Due from other governments		50,000
Prepaid Items		-
Total current assets		<u>2,626,776</u>

*Noncurrent:*

Restricted cash & equivalents		
Scheduled debt repayments		31,622
Unspent facility fees		-
Bond reserve covenant		-
Restricted Investments		67,084
Capital assets:		
Land		8,587
Depreciable assets (net)		11,119
Infrastructure (net)		9,232,041
Construction in progress		33,824
Total capital assets		<u>9,285,571</u>
Total noncurrent assets		<u>9,384,277</u>
Total assets		12,011,053

**DEFERRED OUTFLOW OF RESOURCES**

Deferred Amount-Refunded Debt	\$	60,075
Deferred Amount-Pension and OPEB		19,259
Total deferred outflow of resources		<u>79,334</u>

**LIABILITIES**

*Current:*

Accounts payable & accrued expenses	\$	26,592
Interest on outstanding debt		6,858
Payable to other governments		-
Compensated absences-current portion		10,100
Claims & judgements-current portion		-
Notes & loans payable-current portion		99,524
Revenue bonds payable-current portion		115,000
Total current liabilities		<u>258,074</u>

*Noncurrent:*

Due to other funds		-
Compensated absences		10,101
Claims & judgements		-
Net pension and OPEB liabilities		117,927
Notes & loans payable		91,401
Revenue bonds payable		852,991
Unearned revenue		-
Total noncurrent liabilities		<u>1,072,420</u>
Total liabilities		<u>1,330,494</u>

**DEFERRED INFLOW OF RESOURCES**

Deferred amount-Pension and OPEB		32,477
----------------------------------	--	--------

**NET POSITION**

Net investment in capital assets		8,186,730
Restricted for:		
Debt service		98,706
Capital improvements		-
Unrestricted		2,441,980
Total net position		<u>\$ 10,727,416</u>

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

**OPERATING REVENUES**

Charges for services:		
Rate revenues	\$	1,888,852
All others		15,133
Other operating revenues		-
Total operating revenues		<u>1,903,985</u>

**OPERATING EXPENSES**

Maintenance		-
Operation		698,215
Administration & general		314,656
Taxes		195,408
Depreciation		203,723
Total operating expenses		<u>1,412,002</u>
Operating income (loss)	\$	491,983

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	\$	43,925
Net change in FMV interest		(4,885)
Interest expense		(44,916)
Debt costs		-
All other nonoperating revenues (expenses)		51,674
Total nonoperating revenues (expenses)		<u>45,798</u>

Income before capital contributions and transfers		537,781
Capital contributions		1,337,964
Transfers in		-
Transfers out		-
Change in net position		<u>1,875,745</u>
Net position-beginning		8,851,671
Prior period adjustment		-
Net position-ending		<u>\$ 10,727,416</u>

**CITY OF RICHLAND~Stormwater Fund~As of December 31, 2018**

**STATEMENT OF CASH FLOWS**

**CASH FLOWS FROM...**

*Operating activities:*

Receipts from...	
Customers and users	\$ 1,918,750
Interfund services provided	-
Grants & contributions	-
Payments to/for...	
Suppliers	(138,729)
Employees	(236,491)
Taxes	(195,408)
Interfund services used	(645,672)
Net cash provided (used)	<u>\$ 702,450</u>

*Noncapital activities:*

Receipts from...	
Customers and users	\$ 691
Grants & contributions	-
Transfers from other funds	-
Payments to/for...	
Other interest expense	-
Interfund loans repaid	-
Transfers to other funds	-
Net cash provided (used)	<u>\$ 691</u>

*Capital activities:*

Receipts from...	
Bond proceeds	\$ -
Transfers from other funds	-
Payments to/for...	
Principal paid on debt	(213,159)
Interest paid on debt	(46,429)
Debt Issuance Costs	-
Transfers to other funds	-
Capital spending	(186,752)
Net cash provided (used)	<u>\$ (446,340)</u>

*Investing activities:*

Receipts from...	
Interest earnings	\$ 43,926
Sale of investments	1,570,971
Payments to/for...	
Purchases of investments	(2,177,814)
Net cash provided (used)	<u>\$ (562,917)</u>
Net change in cash & equivalents	(306,116)
Cash & equivalents-beginning	692,066
Cash & equivalents-ending	<u><u>\$ 385,950</u></u>

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

*Operating activities:*

Operating income (loss)	\$ 491,983
Adjustments for...	
Noncash transactions	
Depreciation	203,723
Annual pension liability	(12,645)
Cash transactions	
(Increase)/decrease in receivables	11,903
(Increase)/decrease in prepaid items	-
(Increase)/decrease in inventory	-
Increase/(decrease) in payables	7,486
Increase/(decrease) in unearned revenues	-
Net cash provided (used)	<u>\$ 702,450</u>

Contribution of capital assets \$ 1,337,964

**STORMWATER UTILITY**  
**Activity for the Year Ended December 31, 2018**

Revenue

The Stormwater Utility has been effectively funding operations with no change to the utility rates since 2009. For 2018, revenues for both residential and commercial classes increased an overall 2% when compared with 2017. The breakdown of utility billing charges by customer type for the Stormwater Utility is shown below.

**STORMWATER**

<b>Customer Class</b>	<b>2018 Stormwater Revenue</b>	<b>% of Total Stormwater Revenue</b>
Residential	\$851,857	45.1%
Commercial	1,036,995	54.9%
Total	\$1,888,852	100.0%

Expenses

The salaries and benefits expenses totaled \$214,841 for 2018. These expenses were under the projected budget by an overall 13%. Operational expenses were right on target but adjustments for pension, OPEB and accrued wages at year-end created a substantial savings for the utility.

Recognition of supplies expenses totaled \$49,535. These costs expended 100% of the supplies budget and the utility did not experience any unusual purchase needs for the year.

The service type expenses totaled \$100,448 for 2018, which expended 71% of the budget for this category. Although utilities charges were higher than anticipated, the expense was offset by budget set aside for the disposal of contaminated soil. There was also savings in expenses budgeted for maintenance on the storm ponds and for long-term maintenance which is not considered capital in nature. \$30,721 of the remaining budget will be carried forward to 2019.

For interfund services, the 2018 expenses of \$645,828 only consumed 76% of the budget for this category. Fleet maintenance expenses came in 3% under budget. Regular maintenance and current fuel costs have a positive impact on these service charges. Charges for Street Sweeping services only utilized 74% of the budget allocation. The staff resources available for all necessary street maintenance tasks limits the amount of street sweeping that can be performed during the year. Cost allocation expenses recorded for 2018 only expended 59% of the budget. The 2017 true up offset current costs by \$50,427. Some of these savings will be utilized next year as the City's ERP project implementation continues. Charges for project support provided by the Public Works Engineering and Administration Fund also came in considerably under budget. Higher than anticipated revenues from outside sources provided for a reduction of service charges to the utilities that benefit from engineering services.

Expenses for taxes were \$195,407 for 2018, which was right on budget. The expenses recognized are a direct reflection of our revenue collections.

Capital and Long-Term Debt Activity

For 2018, the Stormwater Utility had five planned capital projects. The utility budgeted \$839,000 to replace an existing undersized pipeline along Leslie Rd. An additional \$720,800 was budgeted to complete water quality improvement features on the existing storm drainage system. A budget of \$338,900 was also available 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. A modest \$95,000 was also budgeted for a stormwater inlet and related improvements along the Columbia Park Trail.

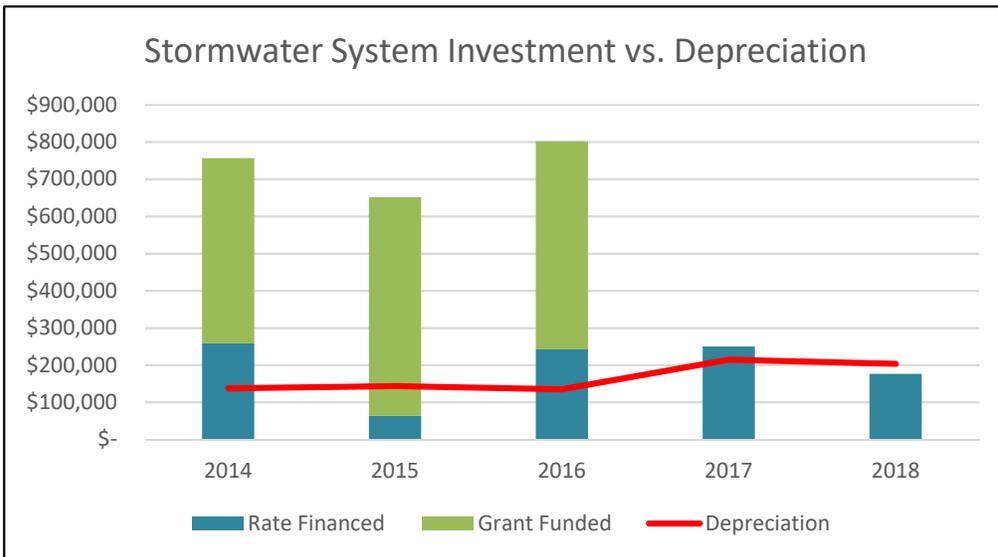
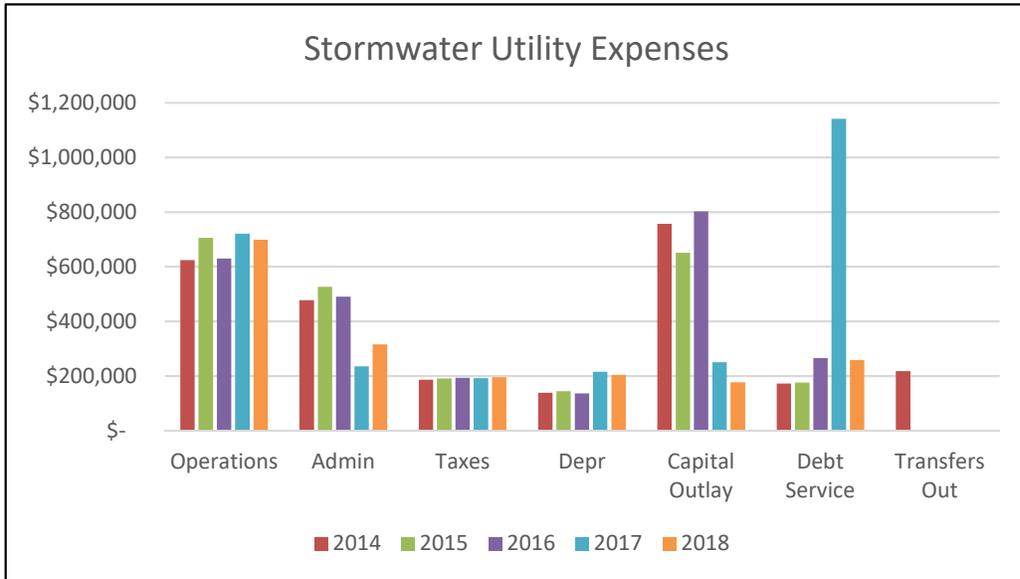
Construction projects of this nature typically occur in the summer months but work force constraints and grant applications contributed to delays in project scheduling. Capital outlay of \$176,634 occurred during 2018 and the remaining \$1,771,000 will be carried forward to the 2019 budget.

*Financial Position and Economic Outlook*

The utility's operating income for 2018 was \$491,983. Operating revenues outpaced operating expenses, contributing towards an unreserved fund balance, which is exceeding the UAC recommended level by \$2.28 million. The available balance will support payments of the utility's annual debt service and provide funding for rate supported capital projects.

**Stormwater Fund Graphs**

**For the Period Ended December 31, 2018**



Stormwater Fund Graphs

For the Period Ended December 31, 2018

