



CITY OF RICHLAND, WASHINGTON
Water Fund Financial Statements

For the Quarter Ended
June 30, 2019
(Unaudited)

Prepared by:
Administrative Services Department

CITY OF RICHLAND~Water Fund~As of June 30, 2019

STATEMENT OF NET POSITION

ASSETS

<i>Current:</i>	
Cash & equivalents	
Unrestricted	5,352,616
Investments	(37,879)
Deposit with Third Party	5,775
Receivables:	
Customer accounts (net)	1,100,839
Due from other funds	-
Due from other governments	-
ULID Assessments - ST	-
Interfund loans	316,236
Prepaid items	50,873
Inventory	158,745
Total current assets	<u>6,947,205</u>
<i>Noncurrent:</i>	
Restricted Cash & equivalents	
Unspent bond proceeds	5,800,154
Bond Reserve	1,305,602
Scheduled debt repayments	1,547,306
Facilities fees	4,974,743
Restricted Investments	
Unspent bond proceeds	-
Bond Reserve	-
Receivables	
ULID Assessments - LT	122,558
Interfund Loans	1,413,254
Capital assets:	
Land	5,604
Depreciable assets (net)	2,572,883
Infrastructure (net)	73,225,980
Construction in progress	3,417,690
Total capital assets	<u>79,222,157</u>
Total noncurrent assets	<u>94,385,774</u>
Total assets	<u>101,332,979</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred amount on refunding debt	196,622
Deferred amount pension and OPEB	219,751
Total deferred outflow of resources	<u>416,373</u>

LIABILITIES

<i>Current:</i>	
Accounts payable & accrued expenses	68,398
Interest on outstanding debt	116,169
Payable to other governments	102,694
Notes payable-current portion	370,432
Deposits payable	49,715
Compensated absences-current portion	130,963
Revenue bonds payable-current portion	1,825,299
Total current liabilities	<u>2,663,670</u>

Noncurrent:

Unearned Revenue	122,558
Compensated absences	130,963
Net pension and OPEB liability	860,897
Notes & loans payable	4,847,117
Revenue bonds payable	17,417,773
Total noncurrent liabilities	<u>23,379,308</u>
Total liabilities	<u>26,042,978</u>

DEFERRED INFLOW OF RESOURCES

Deferred amount on pension and OPEB	834,652
Total deferred inflow of resources	<u>834,652</u>

NET POSITION

Net investment in capital assets	60,758,005
Restricted for:	
Debt service	2,852,908
Capital improvements	4,974,743
Unrestricted	6,286,066
Total net position	<u><u>74,871,722</u></u>

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

OPERATING REVENUES

Charges for services:	
Rate revenues	5,905,792
All others	813,762
Other operating revenues	-
Total operating revenues	<u>6,719,554</u>

OPERATING EXPENSES

Maintenance	1,031,052
Operation	1,278,012
Administration & general	685,998
Taxes	1,138,879
Depreciation	1,252,578
Total operating expenses	<u>5,386,519</u>
Operating income (loss)	1,333,035

NONOPERATING REVENUES (EXPENSES)

Interest earnings	228,282
Adjustment for Fair Market Value	-
Interest expense	(333,736)
Debt costs	-
All other nonoperating revenues (expenses)	111,612
Total nonoperating revenues (expenses)	<u>6,158</u>
Income before capital contributions and transfers	1,339,193
Capital contributions	602,873
Transfers in	-
Transfers out	(240,816)
Change in net position	<u>1,701,250</u>
Net position-beginning	73,170,472
Prior period adjustment	-
Net position-ending	<u><u>74,871,722</u></u>

CITY OF RICHLAND~Water Fund~As of June 30, 2019

STATEMENT OF CASH FLOWS

CASH FLOWS FROM...

Operating activities:

Receipts from...	
Customers and users	\$ 6,261,713
Interfund services provided	-
Grants & contributions	-
Payments to/for...	
Suppliers	(959,259)
Employees	(1,249,210)
Taxes	(1,071,214)
Interfund services used	(1,091,035)
Net cash provided (used)	<u>\$ 1,890,995</u>

Noncapital activities:

Receipts from...	
Customers and users	\$ 963,642
Interfund loans received	
Transfers from other funds	
Payments to/for...	
Interfund loans made	-
Interfund loans repaid	-
Transfers to other funds	(10,000)
Net cash provided (used)	<u>\$ 953,642</u>

Capital activities:

Receipts from...	
Grants & contributions	\$ 602,873
Bond proceeds received	-
Transfers from other funds	-
Payments to/for...	
Principal paid on debt	(915,994)
Interest paid on debt	(330,646)
Cost of bond issuance	-
Transfers to other funds	(230,816)
Capital spending	(740,019)
Net cash provided (used)	<u>\$ (1,614,602)</u>

Investing activities:

Receipts from...	
Interest earnings	\$ 228,282
Sale of investments	10,594,191
Payments to/for...	
Purchases of investments	-
Net cash provided (used)	<u>10,822,473</u>
Net change in cash & equivalents	12,052,508
Cash & equivalents-beginning	6,927,913
Cash & equivalents-ending	<u>\$ 18,980,421</u>

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

Operating activities:

Operating income (loss)	\$ 1,333,035
Adjustments for...	
Noncash transactions	
Depreciation	1,252,578
Accrued Pension and OPEB liabilities	-
Cash transactions	
(Increase)/decrease in receivables	(423,150)
(Increase)/decrease in prepaid items	(44,539)
(Increase)/decrease in inventory	20,039
Increase/(decrease) in payables	(246,968)
Net cash provided (used)	<u>\$ 1,890,995</u>

Contribution of capital assets

\$ -

WATER UTILITY

Activity for the Quarter ended June 30, 2019

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 second quarter 2019, the class of service revenue was slightly lower than the 2018 revenues. Billed consumption was approximately 1% higher for residential users and multifamily accounts. Commercial consumption billed was 5% lower when compared to 2018. The overall combined consumption decreased 2% for all classes when compared to 2018.

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

WATER

Customer Class	Consumption (Hundred Cubic Feet)	% of Total Consumption	2019 Water Sale Revenue	% of Total Water Sales Revenue
Residential	1,052,375	44.6%	\$3,810,720	64.5%
Commercial	1,200,987	50.9%	1,804,223	30.6%
Multifamily	106,307	4.5%	290,849	4.9%
Total	2,359,669	100.0%	\$5,905,792	100.0%

Expenses

The salaries and benefits expenses through second quarter 2019 were \$1,249,210, which represents 46% of the budget. Although the utility has already expended more than the annual estimates for overtime, the budget for intermittent salaries and PTO cash-outs will provide an offset until the summer hiring season commences.

Supplies expenses through second quarter were \$192,152, which expended 33% of the category budget. These types of purchases are driven by the timing of chemical needs, replacement of the ultraviolet light bulbs at the UV facility and periodic exchange of water meters and boxes throughout the city.

The service type expenses through second quarter 2019 totaled \$510,314, which expended 35% of the budget for this category of cost. The largest component in this category is utilities, which accounts for 62% of the service type expenses. At the end of the quarter, only 32% of the utilities budget had been expended. Mild spring weather provides delays in powering irrigation systems so this is a typical spending pattern for the Utility.

Charges for interfund services were \$1,034,400 through second quarter, which expended 32% of the category budget. Fleet maintenance expenses were \$112,829, which was right on target with budget. Regular maintenance and current fuel costs have a positive impact on these service charges. Cost allocation expenses recorded for 2019 have only expended 34% of the budget. The 2018 true-up has offset current costs by \$226,439. Some of these savings will be utilized next year as the City's ERP project implementation continues.

Expenses for taxes were \$1,138,879, which totaled 44% of the category budget. The expense recognized is a direct reflection of the utility's revenue collections, which are typically higher in the summer months.

Capital and Long-Term Debt Activity

The Water Utility has multiple capital projects planned for 2019 with financing from rates, facilities fees, bonds and grants. The total budget for capital is \$10.4 million, with actual expenses of \$512,478 through the second quarter.

The three most significant projects included in the 2019 budget are the Yakima River Pipeline Replacement, Automatic Meter Reading System (AMI), and the Lorayne J Water Improvements. These projects account for 65% of the capital budget but the majority of the costs will not occur until 2020. Installation of the Yakima River Pipeline is dependent on the Duportail Bridge construction schedule. The AMI project is currently in contract negotiations with the intent to award a contract in late 2019. The target completion date for this project is November 2020. The Lorayne J project is just beginning the design phase. Completion of environmental and cultural studies will also be required before construction can commence. Infrastructure construction will most likely not occur until 2020.

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 the second quarter, unspent bond proceeds totaled \$5.8 million.

Another capital-financing component utilized by the Water Utility is facilities fees. Only \$137,500 is planned to support capital projects in 2019. At the end of the quarter, the available balance was \$5 million.

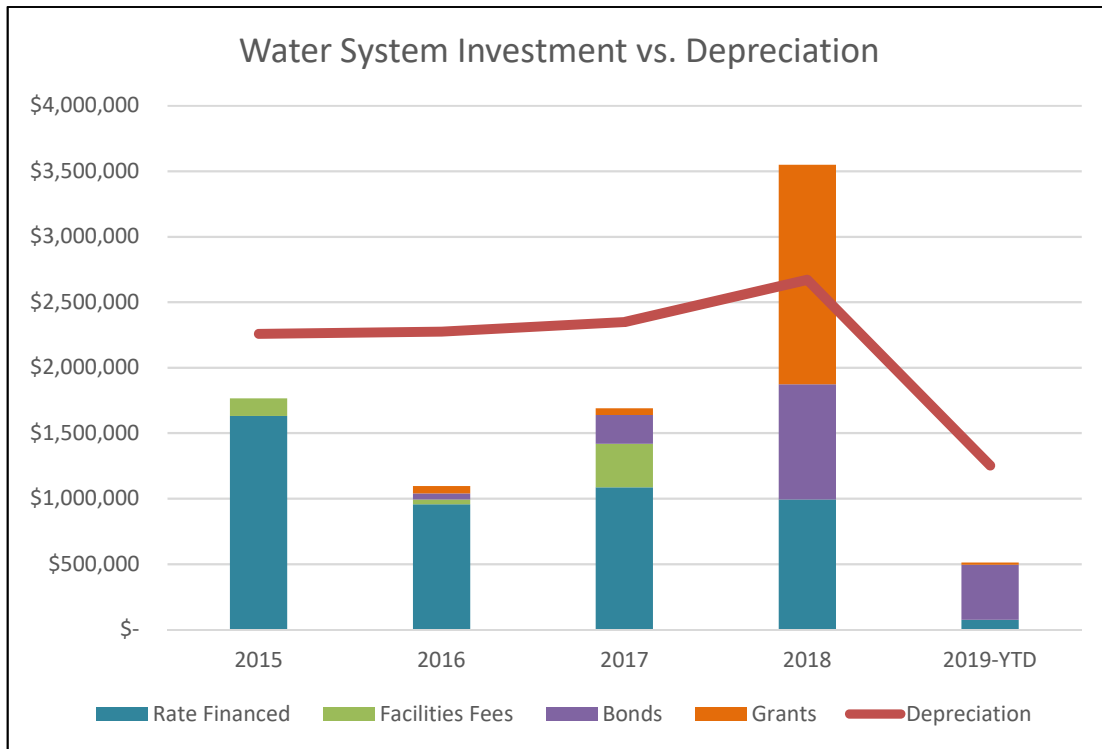
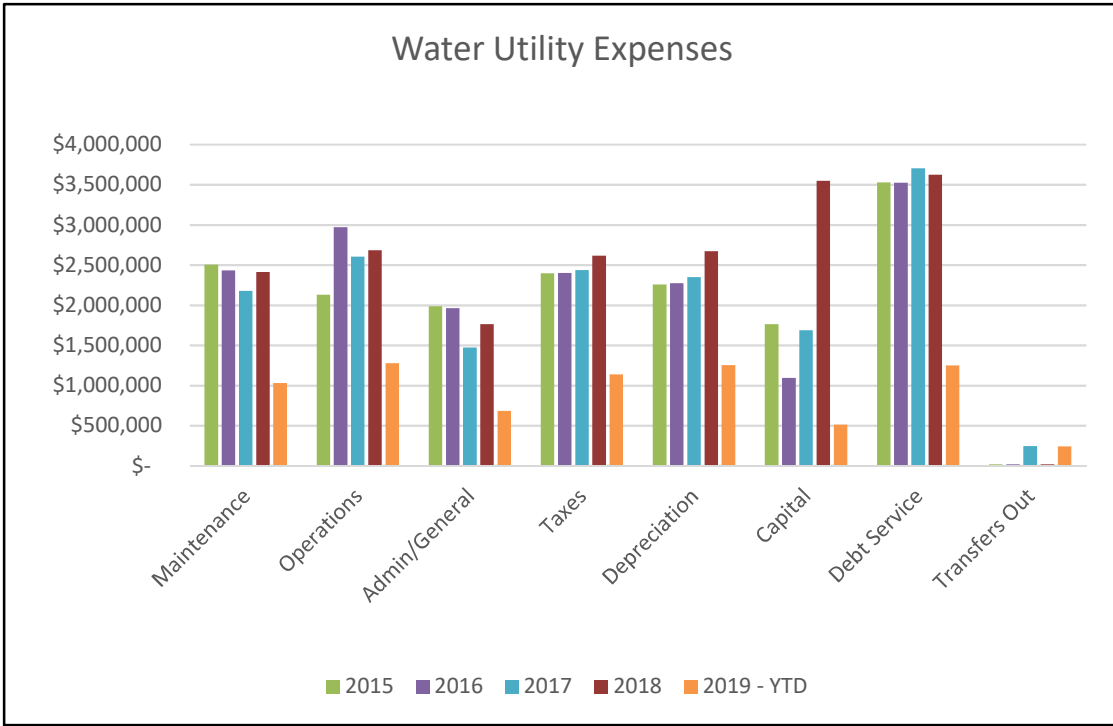
In 2018, the Water Utility issued an interfund loan for \$1,706,150 to the Streets Construction Fund, to provide interim financing of the Duportail Bridge construction. This loan bears an interest rate of 2.5% and a 5-year debt service schedule. Payments will be made from the revenues of the Transportation Benefit District Fund.

Financial Position and Economic Outlook

The utility's operating income through second quarter was \$1,333,035 as operating revenues outpaced the expense growth. The unreserved fund balance is currently exceeding the Utility Advisory Committee's recommended 45-day operating reserve by \$5.4 million. The available balance will support future payments of the required annual debt service and provide funding for rate supported capital projects.

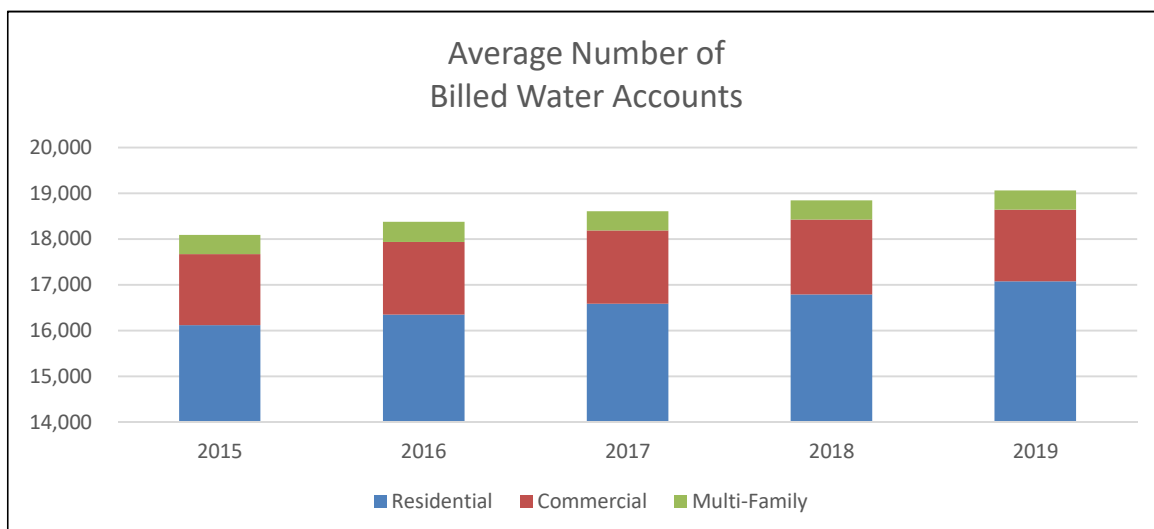
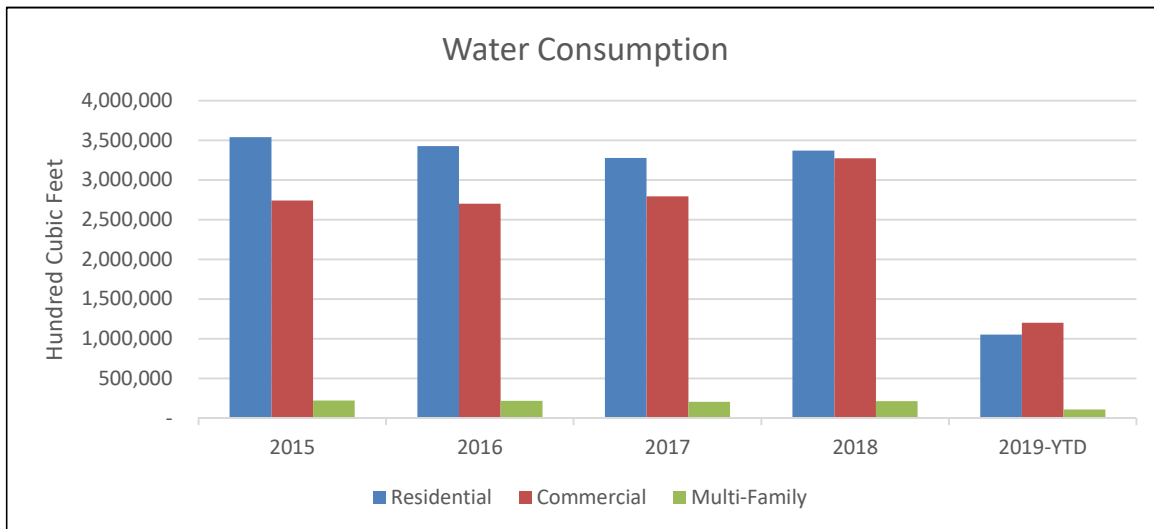
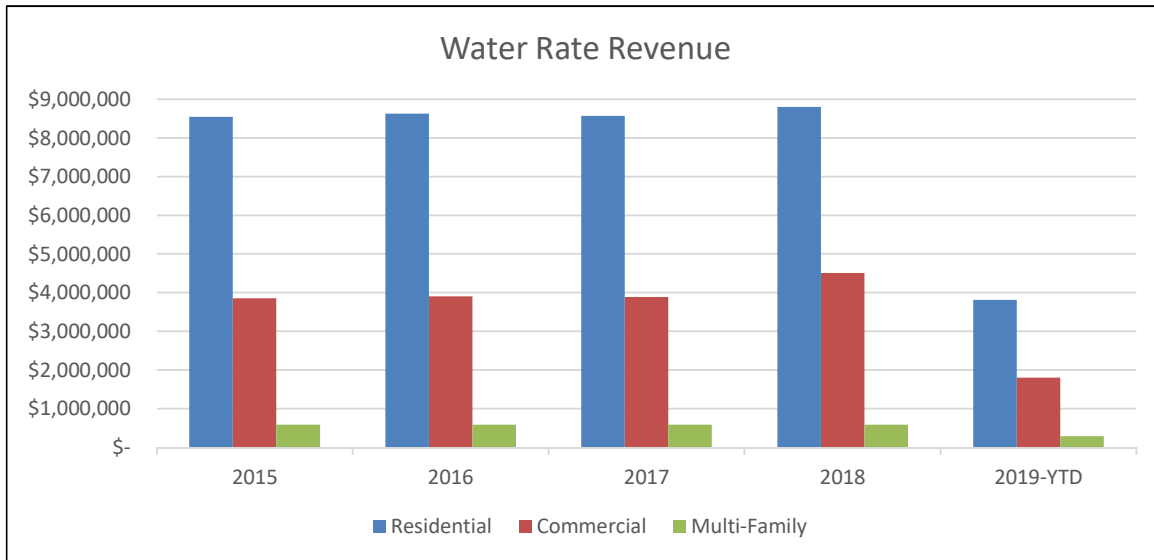
Water Fund Graphs

For the Period Ended June 30, 2019



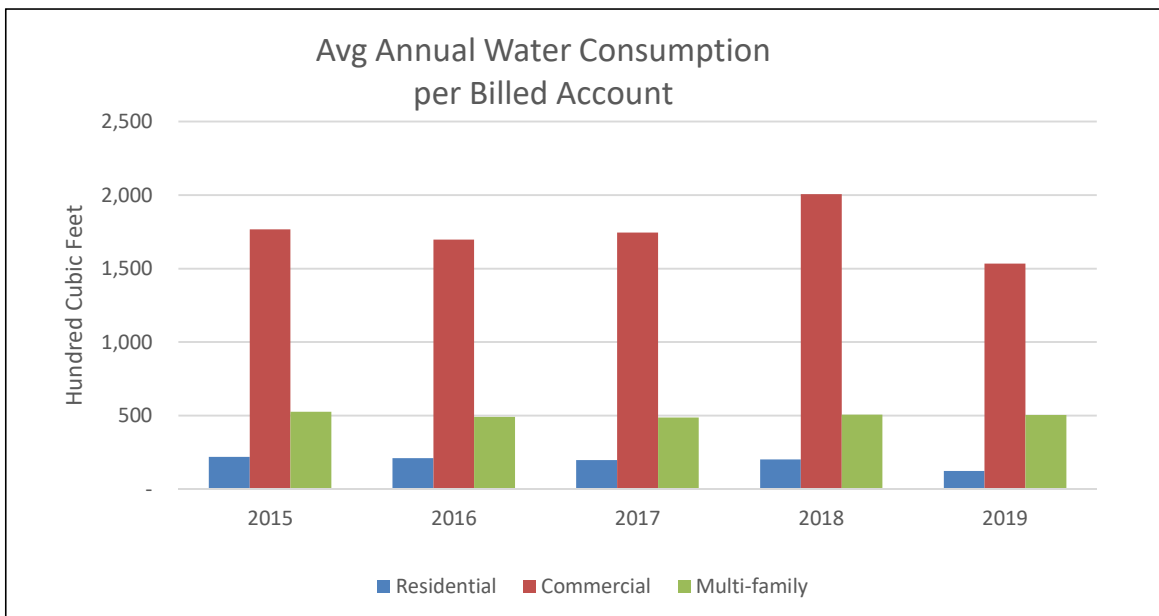
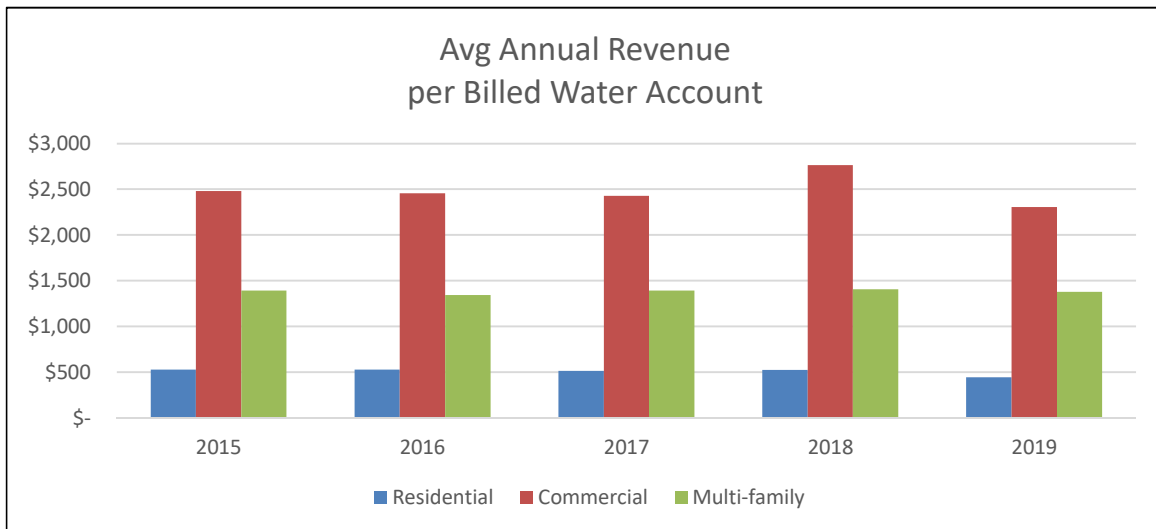
Water Fund Graphs

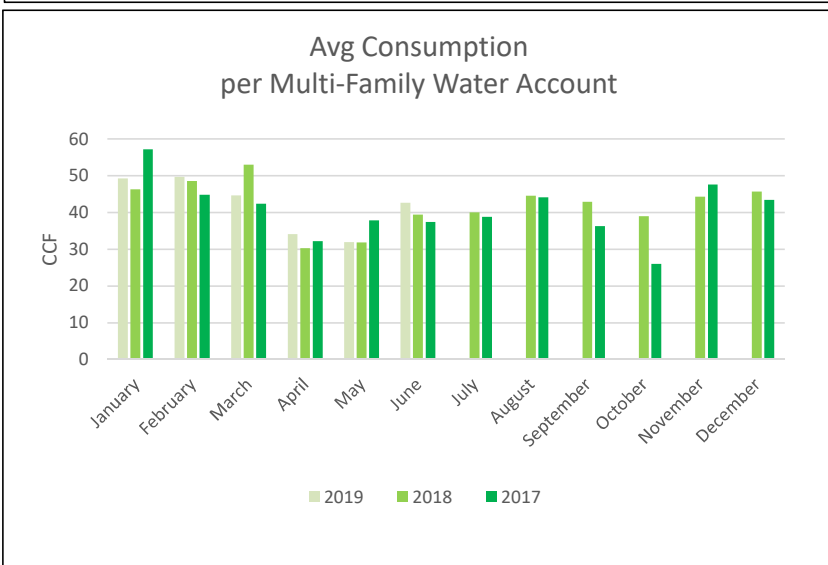
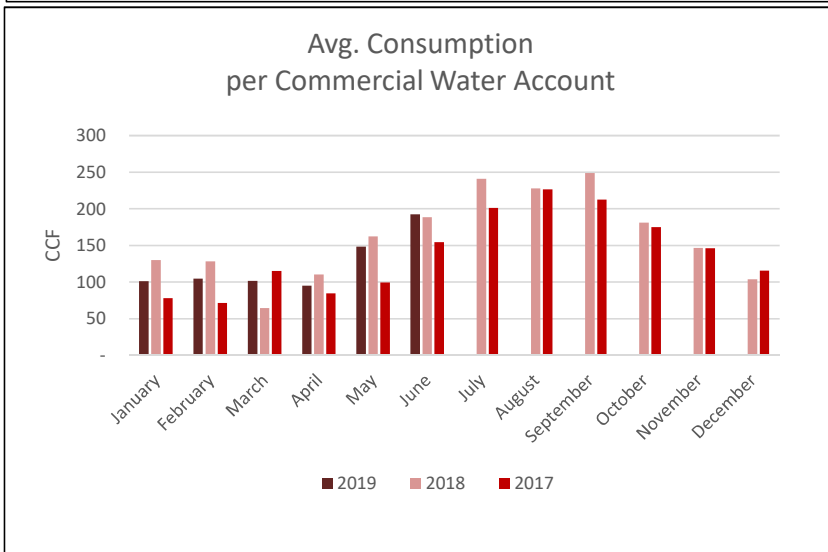
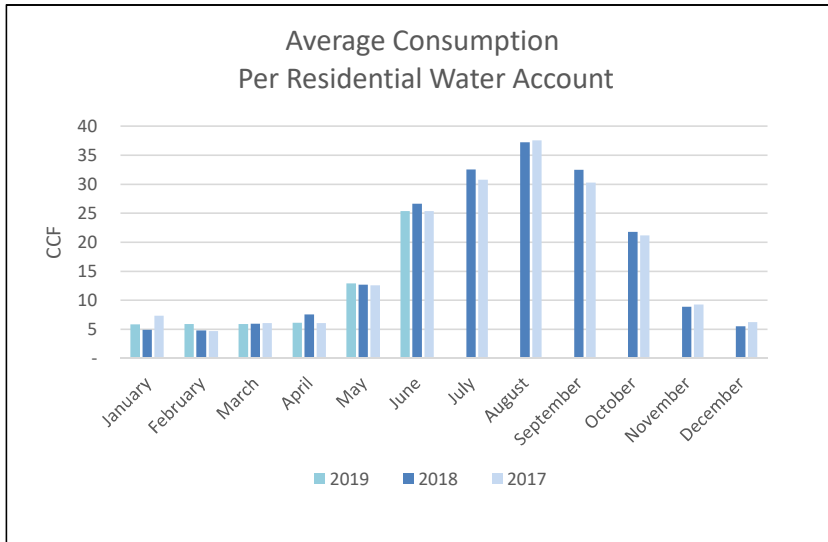
For the Period Ended June 30, 2019



Water Fund Graphs

For the Period Ended June 30, 2019







CITY OF RICHLAND, WASHINGTON
Wastewater Fund Financial Statements

For the Quarter Ended
June 30, 2019

(Unaudited)

Prepared by:
Administrative Services Department

CITY OF RICHLAND~Wastewater Fund~As of June 30, 2019

STATEMENT OF NET POSITION

ASSETS

Current:

Cash & equivalents	
Unrestricted	5,556,524
Management designated	156,000
Investments	(30,531)
Deposits with Third Parties	2,650

Receivables:

Customer accounts (net)	552,480
Due from other governments	-
ULID Assessments - ST	-

Prepaid items	86,461
Inventory	1,098

Total current assets 6,324,682

Noncurrent:

Restricted Cash & equivalents	
Unspent bond proceeds	470,864
Unspent facilities fees	3,671,250
Debt service cash	942,018
Bond reserve covenant	538,752

Investments	
Unspent facilities fees	-
Unspent bond proceeds	-
Bond reserve covenant	279,945

Receivables	
ULID Assessments - LT	114,086

Capital assets:

Depreciable assets (net)	10,530,512
Infrastructure (net)	46,264,592
Construction in progress	4,097,842

Total capital assets 60,892,946

Total noncurrent assets 66,909,861

Total assets 73,234,543

DEFERRED OUTFLOW OF RESOURCES

Deferred Amount-Refunded Debt	277,078
Deferred Amount-Pension and OPEB	189,788
Total deferred outflow of resources	466,866

LIABILITIES

Current:

Accounts payable & accrued expenses	184,323
Interest on outstanding debt	80,515
Payable to other governments	17,919
Deposits payable	6,202
Compensated absences-current portion	83,687
Notes & loans payable-current portion	36,283
Revenue bonds payable-current portion	1,409,702
Total current liabilities	1,818,631

Noncurrent:

Compensated absences	83,687
Net pension and OPEB liabilities	1,126,931
Notes & loans payable	997,480
Revenue bonds payable	11,425,919
Unearned revenue	270,086
Total noncurrent liabilities	13,904,103
Total liabilities	15,722,734

DEFERRED INFLOW OF RESOURCES

Deferred Amount-Pension and OPEB	355,545
Total deferred inflow of resources	355,545

NET POSITION

Net investment in capital assets	47,646,585
Restricted for:	
Debt service	1,874,801
Capital improvements	3,671,250
Unrestricted	4,430,494
Total net position	57,623,130

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

OPERATING REVENUES

Charges for services:	
Rate revenues	4,598,090
All others	17,845
Other operating revenues	-
Total operating revenues	4,615,935

OPERATING EXPENSES

Maintenance	805,928
Operation	1,067,107
Administration & general	622,134
Taxes	617,406
Depreciation	942,942
Total operating expenses	4,055,517
Operating income (loss)	560,418

NONOPERATING REVENUES (EXPENSES)

Interest earnings	134,096
Adjustment for Fair Market Value	-
Interest expense	(218,430)
Debt costs	-
All other nonoperating revenues (expenses)	35,795
Total nonoperating revenues (expenses)	(48,539)
Income before capital contributions and transfers	511,879
Capital contributions	711,412
Transfers in	-
Transfers out	(70,977)
Change in net position	1,152,314
Net position-beginning	56,470,816
Prior period adjustment	-
Net position-ending	57,623,130

CITY OF RICHLAND~Wastewater Fund~As of June 30, 2019

STATEMENT OF CASH FLOWS

CASH FLOWS FROM...

Operating activities:

Receipts from...	
Customers and users	\$ 4,788,062
Interfund services provided	-
Grants & contributions	-
Payments to/for...	
Suppliers	(899,040)
Employees	(1,182,226)
Taxes	(599,487)
Interfund services used	(750,971)
Net cash provided (used)	<u>\$ 1,356,338</u>

Noncapital activities:

Receipts from...	
Customers and users	\$ 50,628
Interfund loans received	
Transfers from other funds	-
Payments to/for...	
Other interest expense	
Interfund loans repaid	-
Transfers to other funds	(2,500)
Net cash provided (used)	<u>\$ 48,128</u>

Capital activities:

Receipts from...	
Grants & contributions	\$ 711,412
Bond proceeds received	-
Interfund loans repaid	
Payments to/for...	
Principal paid on debt	(94,412)
Interest paid on debt	(207,882)
Cost of bond issuance	-
Transfers to other funds	(68,477)
Capital spending	(446,836)
Net cash provided (used)	<u>\$ (106,195)</u>

Investing activities:

Receipts from...	
Interest earnings	\$ 135,209
Sale of investments	8,816,900
Payments to/for...	
Purchases of investments	-
Net cash provided (used)	<u>\$ 8,952,109</u>
Net change in cash & equivalents	10,250,380
Cash & equivalents-beginning	1,085,028
Cash & equivalents-ending	<u><u>\$ 11,335,408</u></u>

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

Operating activities:

Operating income (loss)	\$ 560,418
Adjustments for...	
Noncash transactions	
Depreciation	942,942
Annual Pension & OPEB liabilities	-
Cash transactions	
(Increase)/decrease in receivables	172,127
(Increase)/decrease in prepaid items	(86,461)
(Increase)/decrease in inventory	-
Increase/(decrease) in payables	(232,688)
Net cash provided (used)	<u>\$ 1,356,338</u>

Contribution of capital assets

\$ -

WASTEWATER UTILITY
Activity for the Quarter Ended June 30, 2019

Revenue and Consumption

The Wastewater Utility has been effectively funding operations with no change to wastewater rates since January 2010. Class of service revenue billed through second quarter 2019 was 1.1% higher when compared to 2018. 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 2.1%. For the commercial and multi-family classes of service, consumption is a component of the billed charges. Billed consumption through second quarter 2019 was 6.8% higher when compared to second quarter 2018. Commercial consumption increased by 29,615 units and multifamily consumption increased by 2,830 units.

WASTEWATER (WW)

Customer Class	2019 WW Sales Revenue	% of Total WW Sales Revenue
Residential	\$2,750,012	59.8%
Commercial	1,185,200	25.8%
Multi-family	662,878	14.4%
Total	\$4,598,090	100.0%

Expenses

The salaries and benefits expenses through second quarter 2019 were \$1,182,226, which expended 43% of the budget for this category. Although the utility has already expended 77% of the estimates for overtime, the budget for intermittent salaries and PTO cash-outs will provide an offset until the summer hiring season commences.

Recognition of supplies expenses was \$127,179, which utilized 34% of the budget for this category. There have been no extraordinary supplies purchased and the timing of purchases and chemical needs causes fluctuations in this category.

The service type expenses totaled \$429,403, which represents 29% of the budget for this category. The largest operating component is utilities expense, which was running under budget through the second quarter.

The charges for interfund services through the second quarter were \$750,971, which expended 35% of the category budget. Fleet maintenance expenses came in at \$90,439, which utilized 42% of the budget. Regular maintenance and current fuel costs have a positive impact on these service charges. Cost allocation expenses recorded for 2019 have only expended 42% of the budget. The 2018 true-up has offset current expenses by \$45,017. Some of these savings will be utilized next year as the City's ERP project implementation continues.

Expenses for taxes through the second quarter came in at \$617,406, which was right on target with the budget. 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 Utility has multiple capital projects planned for 2019 with financing from rates, facilities fees and bonds. The total budget for capital is \$3.9 million with actual expenses of \$443,250 through the second quarter.

Revenue bonds were issued in June of 2017 to refund a portion of the 2009 bond issue and finance several capital projects. At the end of the quarter, there was \$470,864 of unspent bond proceeds available.

Another capital-financing component utilized by the Wastewater Utility is facilities fees. The 2019 budget earmarks \$1.75 million to spend on capital projects. As of June 30, the utility has an available balance of \$3.7 million.

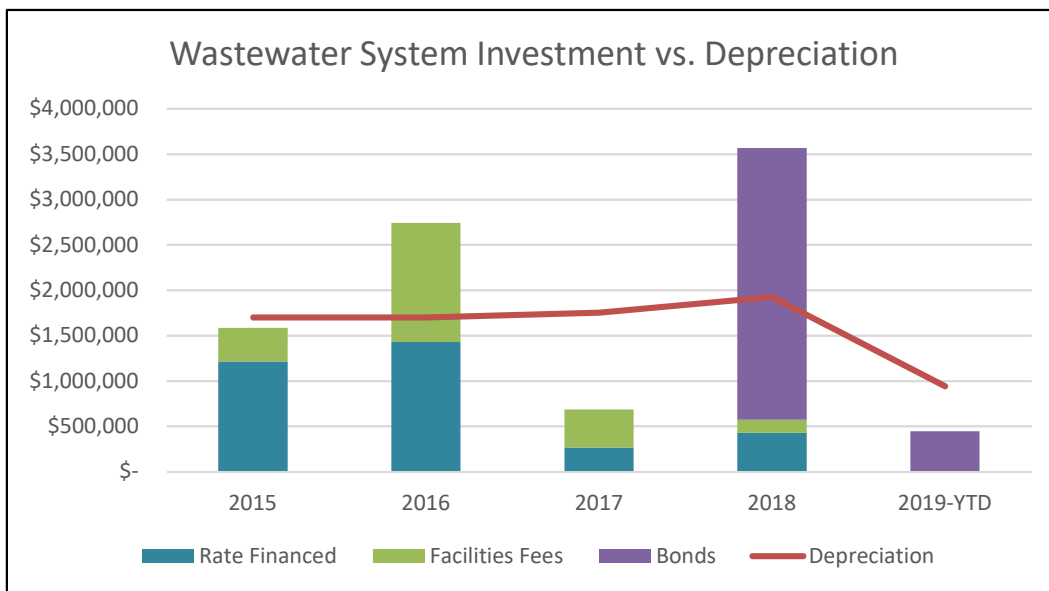
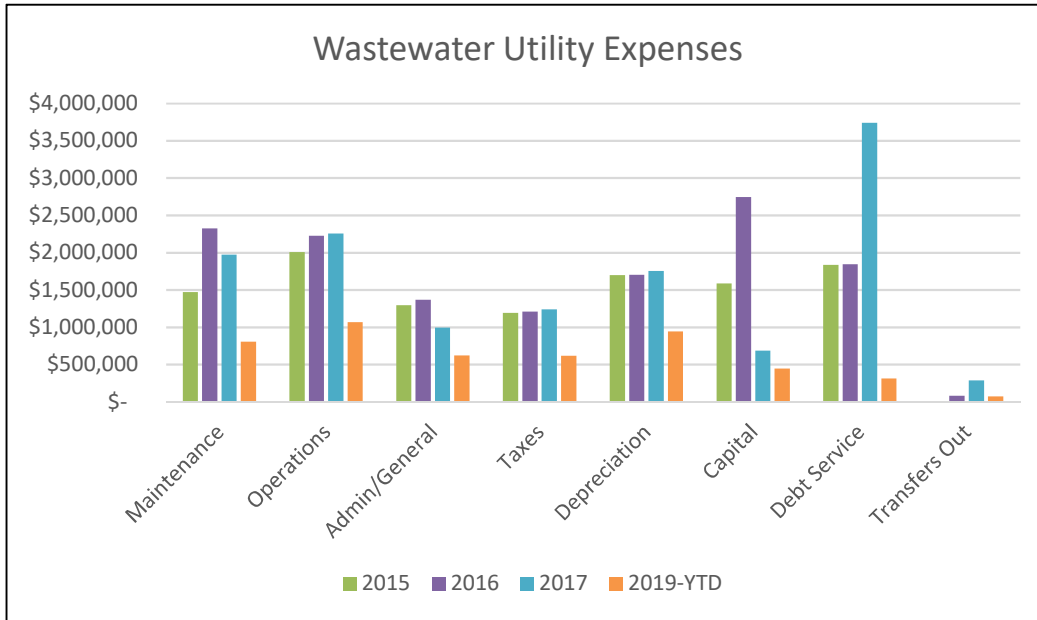
Financial Position and Economic Outlook

The utility's operating income through second quarter 2019 was \$560,418 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 \$3.7 million. The available balance will support future payments of the utility's required annual debt service and provide funding for rate supported capital projects.

CITY OF RICHLAND, WASHINGTON

Wastewater Fund Graphs

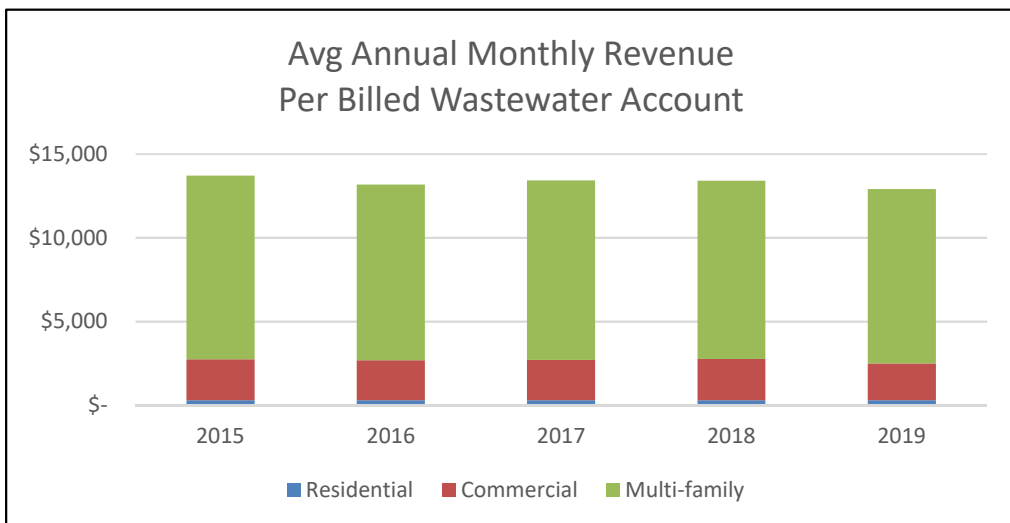
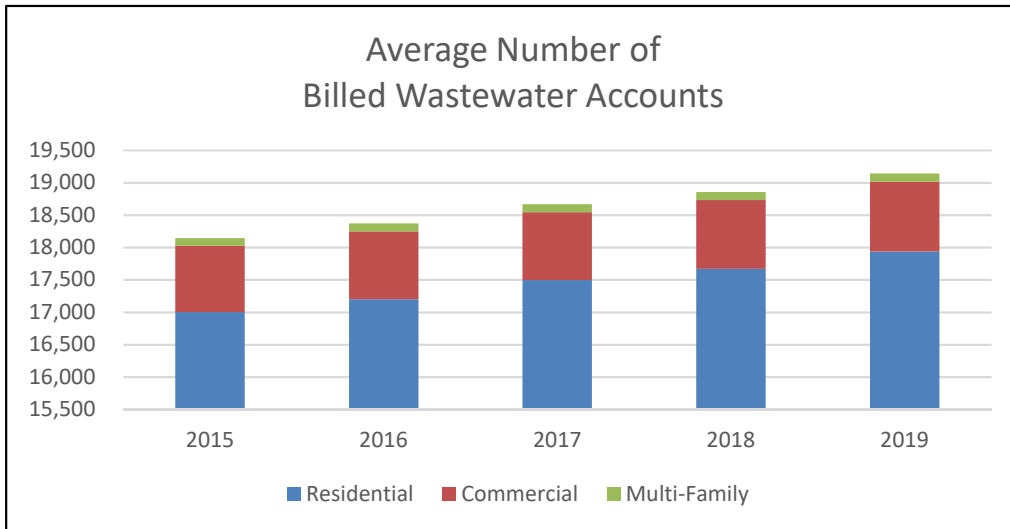
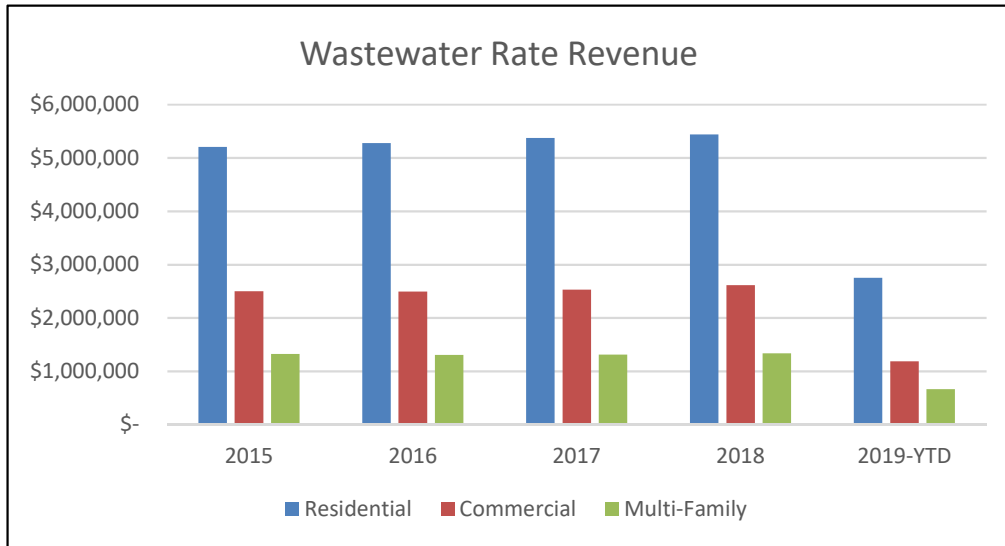
For the Period Ended June 30, 2019



CITY OF RICHLAND, WASHINGTON

Wastewater Fund Graphs

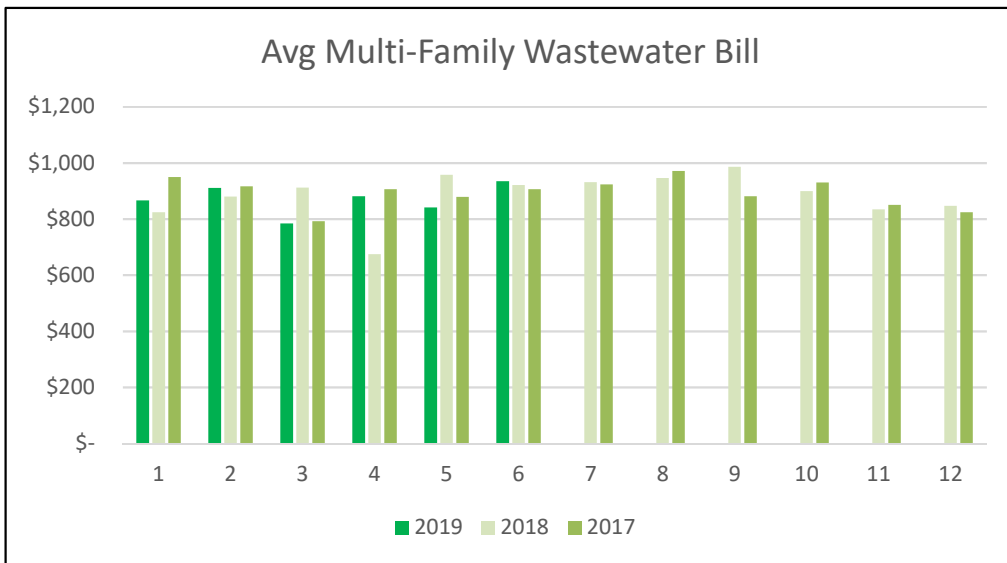
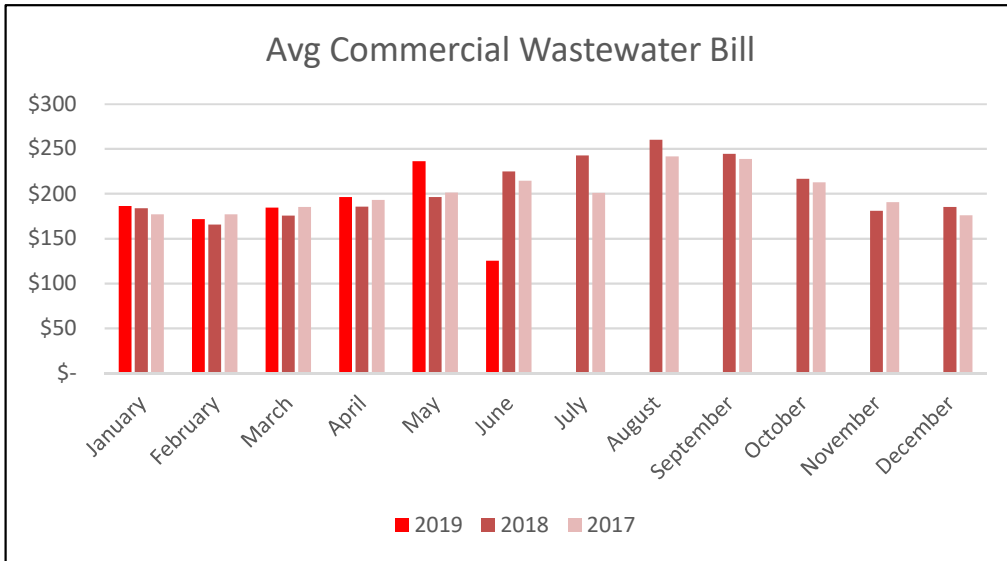
For the Period Ended June 30, 2019



CITY OF RICHLAND, WASHINGTON

Wastewater Fund Graphs

For the Period Ended June 30, 2019





CITY OF RICHLAND, WASHINGTON
Solid Waste Fund Financial Statements

For the Quarter Ended
June 30, 2019
(Unaudited)

Prepared by:
Administrative Services Department

CITY OF RICHLAND~Solid Waste Fund~As of June 30, 2019

STATEMENT OF NET POSITION

ASSETS

Current:

Cash & equivalents	
Unrestricted	5,055,698
Management designated	140,947
Investments	(24,669)
Deposits with Third Party	1,050
Receivables:	
Customer accounts (net)	758,299
Due from other funds	-
Due from other governments	-
Notes & contracts	-
Prepaid items	61,898
Total current assets	5,993,223

Noncurrent:

Restricted cash & equivalents	
Landfill closure/postclosure care	4,473,569
Scheduled debt repayments	79,094
Investments, restricted	-
Capital assets:	
Land	80,500
Depreciable assets (net)	613,958
Infrastructure (net)	1,928,951
Construction in progress	286,199
Total capital assets	2,909,608
Total noncurrent assets	7,462,271
Total assets	13,455,494

DEFERRED OUTFLOW OF RESOURCES

Deferred Amount-Refunded Debt	1,817
Deferred Amount-Pension and OPEB	246,888
Total deferred outflow of resources	248,705

LIABILITIES

Current:

Accounts payable & accrued expenses	78,739
Interest on outstanding debt	342
Payable to other governments	67,008
Due to other funds	-
Compensated absences-current portion	115,068
GO bonds payable-current portion	136,987
Landfill closure/postclosure care-current portion	255,000
Total current liabilities	653,144

Noncurrent:

Compensated absences	115,068
Net pension and OPEB liabilities	1,561,358
GO bonds payable	-
Landfill closure/postclosure care	6,159,192
Total noncurrent liabilities	7,835,618
Total liabilities	8,488,762

DEFERRED INFLOW OF RESOURCES

Deferred Amount-Pension and OPEB	399,900
----------------------------------	---------

NET POSITION

Net investment in capital assets	2,774,438
Restricted for:	
Debt service	79,094
Capital improvements	(1,828,876)
Unrestricted	3,790,881
Total Net Position	4,815,537

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

OPERATING REVENUES

Charges for services:	
Rate revenues	3,614,558
Landfill operations	649,026
Drop Box operations	730,309
All other operating revenues	45,269
Total operating revenues	5,039,162

OPERATING EXPENSES

Collection	2,126,930
Disposal	1,075,691
Administration & general	370,044
Taxes	614,335
Depreciation	108,012
Total operating expenses	4,295,012
Operating income (loss)	744,150

NONOPERATING REVENUES (EXPENSES)

Interest earnings	107,577
Net change in FMV interest	-
Interest Expense	(1,905)
Debt costs	-
All other nonoperating revenues (expenses)	19,115
Total nonoperating revenues (expenses)	124,787
Income before capital contributions and transfers	868,937
Capital contributions	-
Transfers In	-
Transfers out	-
Change in net position	868,937
Net position-beginning	3,946,600
Prior period adjustment	-
Net position-ending	4,815,537

CITY OF RICHLAND~Solid Waste Fund~As of June 30, 2019

STATEMENT OF CASH FLOWS

CASH FLOWS FROM...

Operating activities:

Receipts from...		
Customers and users	\$	4,929,810
Interfund services provided	\$	-
Grants & contributions	\$	-
Payments to/for...		
Suppliers	\$	(721,147)
Employees	\$	(1,457,288)
Taxes	\$	(575,916)
Interfund services used	\$	(1,550,002)
Net cash provided (used)	\$	625,457

Noncapital activities:

Receipts from...		
Customers and users	\$	19,113
Interfund loans received	\$	-
Interfund loans repaid	\$	-
Transfers from other funds	\$	-
Payments to/for...		
Other interest expense	\$	-
Transfers to other funds	\$	-
Interfund loans made	\$	-
Net cash provided (used)	\$	19,113

Capital activities:

Receipts from...		
Grants & contributions	\$	-
Transfers from other funds	\$	-
Payments to/for...		
Principal paid on debt	\$	-
Interest paid on debt	\$	(2,073)
Transfers to other funds	\$	-
Capital spending	\$	(254,823)
Net cash provided (used)	\$	(256,896)

Investing activities:

Receipts from...		
Interest earnings	\$	107,577
Sale of investments	\$	6,899,557
Payments to/for...		
Purchases of investments	\$	-
Net cash provided (used)	\$	7,007,134
Net change in cash & equivalents	\$	7,394,808
Cash & equivalents-beginning	\$	2,354,500
Cash & equivalents-ending	\$	9,749,308

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

Operating activities:

Operating income (loss)	744,150
Adjustments for...	
Noncash transactions	
Depreciation	108,012
Annual pension and OPEB liabilities	-
Cash transactions	
(Increase)/decrease in receivables	(108,516)
(Increase)/decrease in prepaid expenses	(61,898)
(Increase)/decrease in deferred charges	-
(Increase)/decrease in claims & judgements	-
Increase/(decrease) in payables	(56,291)
Increase/(decrease) in unearned revenues	-
Net cash provided (used)	625,457

SOLID WASTE UTILITY
Activity for the Quarter Ended June 30, 2019

Revenue

Collection service revenues are typically level from month to month and represent collection containers at fixed locations. When comparing revenue collections through second quarter 2019 to 2018, there was an increase of \$91,838 or 2.6% in this category. The revenue earned by the landfill increased \$62,290 or 11.1%. Drop box revenues increased \$112,509, or 18.2% more than 2018. 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.

SOLID WASTE		
Customer Class	2019 Collection Revenue	% of Total Solid Waste Revenue
Residential	\$2,156,806	59.7%
Commercial	1,457,751	40.3%
Total	\$3,614,557	100.0%

Expenses

The salaries and benefits expenses through second quarter 2019 totaled \$1,457,290, which was 48% of the category budget. Although overtime and PTO cash outs were higher than anticipated, the budget for intermittent salaries will provide an offset until the summer hiring season commences.

Recognition of supplies expenses totaled \$148,126, which was 58% of the category budget. The largest supplies component is the purchase of new containers, which comprises 59% of the supplies budget. Expenses for containers were \$108,811, which is 71% of the line-item budget. There was also \$26,350 spent on software licensing and upgrades for the Routeware system.

The service type expenditures through second quarter totaled \$407,750, which was only 33% of the budget for this category. The largest components in this category are expert services and recycling processing fees. Processing fees have been escalating for the recycling industry but expenses through the second quarter were \$157,035 and only utilized 35% of the line-item budget. Likewise, the expert services costs were only \$60,858, which is only 13% of the allocation. Expert services are comprised mainly of contamination remediation efforts, groundwater and gas monitoring, and the related lab work.

Expenses for interfund services totaled \$1,550,002, which is 45% of the budget for this category. Charges for fleet maintenance were \$822,579, which exceeded the line-item budget by 5% through the second quarter. This is the largest component of this expense category for the Solid Waste Utility. While replacement of the aging fleet and level fuel costs are having a positive impact on these service charges, there were several costly repairs required, which drove expenses over the budget. Cost allocation expenses through second quarter have only expended 20% of the budget. The 2018 true-up has offset current costs by \$240,680. Some of these savings will be utilized next year as the City's ERP project implementation continues.

Expenses for taxes through second quarter were \$614,335, which is 53% of the budget. The expenses recognized are a direct reflection of our revenue collections.

Capital and Long-Term Debt Activity

For 2019, the Solid Waste Utility has four planned projects. The 2019 capital budget set aside is \$9 million. The most significant project is the design and beginning of construction of the next disposal cell, which is budgeted at over \$8.4 million. There is \$247,000 budgeted for compost processing improvements, \$225,000 for planning closure of the retired cell, a modest \$20,000 to rehab the concrete floor in the maintenance building and \$30,435 for groundwater assessment. Total capital spending through the second quarter was \$235,040.

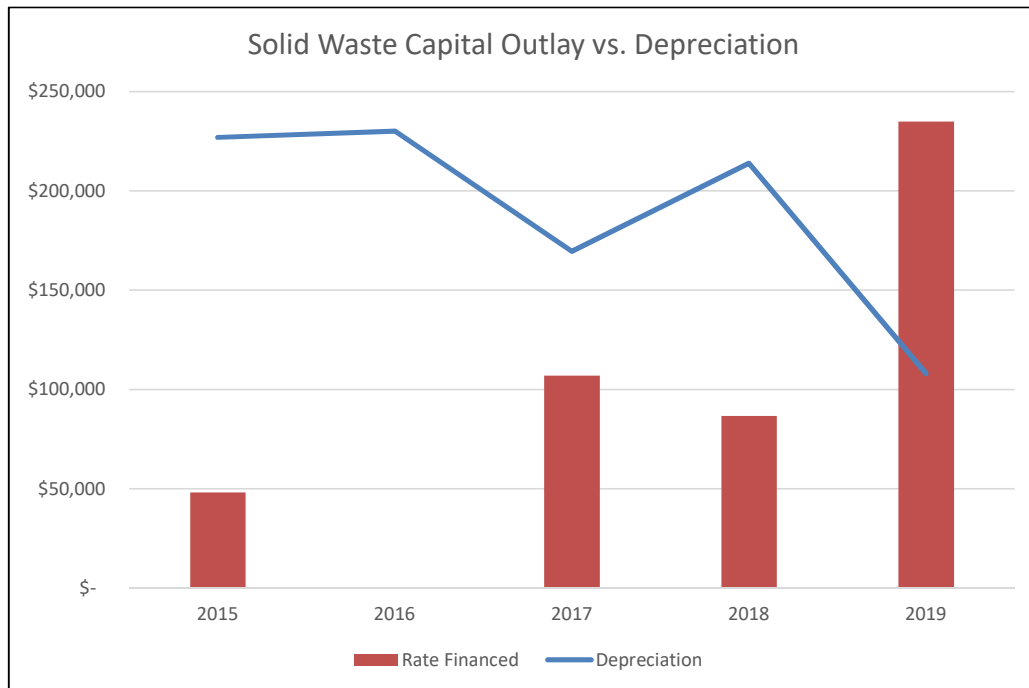
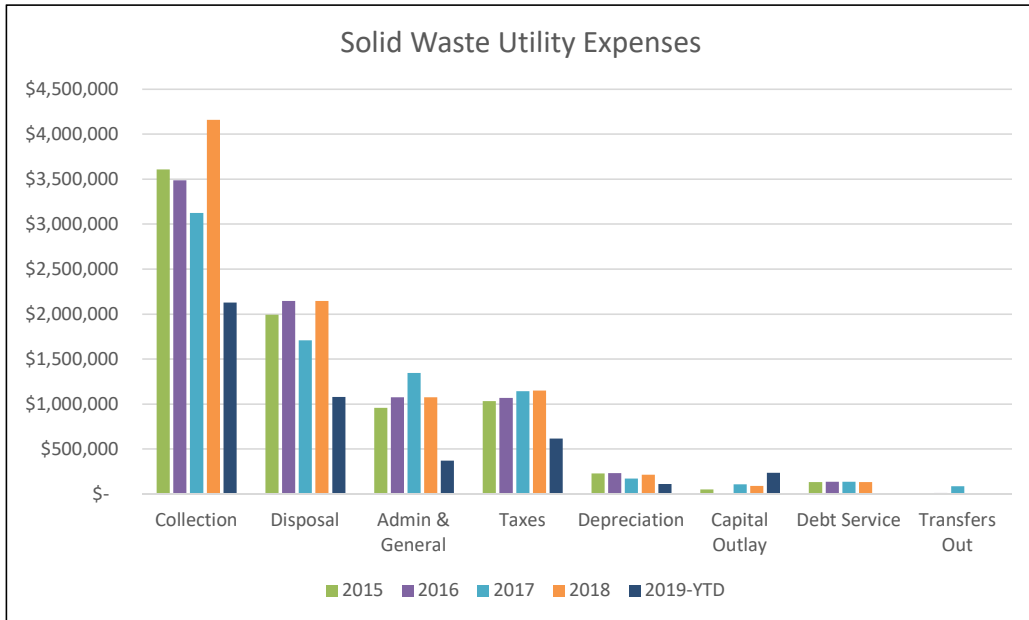
Financial Position and Economic Outlook

Through second quarter 2019, the results of operations for the Solid Waste Utility reflected a net income of \$744,150. The unreserved fund balance is currently exceeding the UAC recommended level by \$829,271 after covering the \$1.96 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.

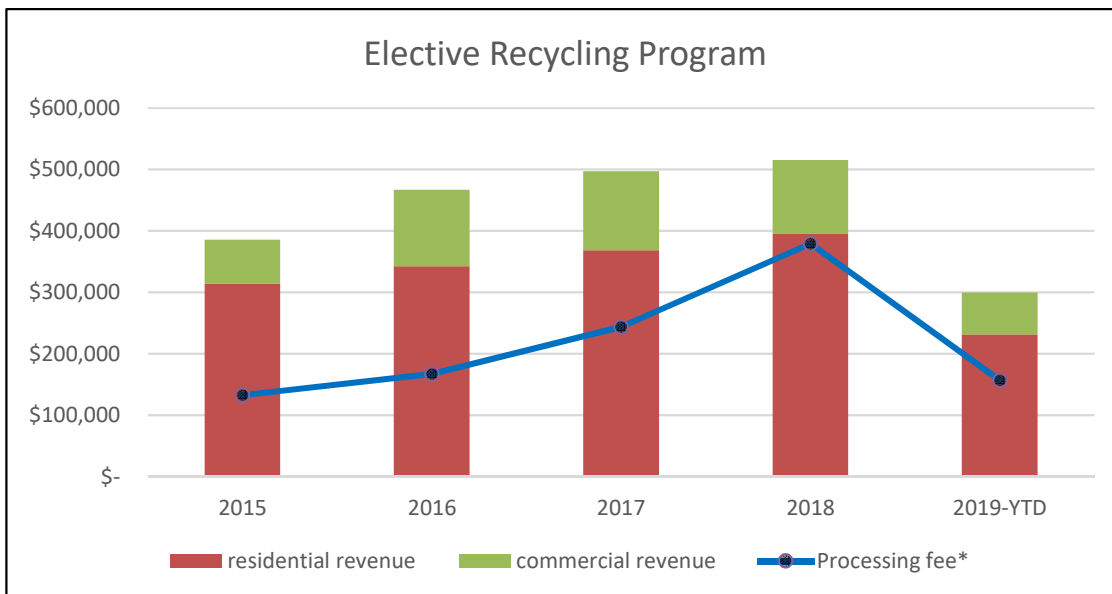
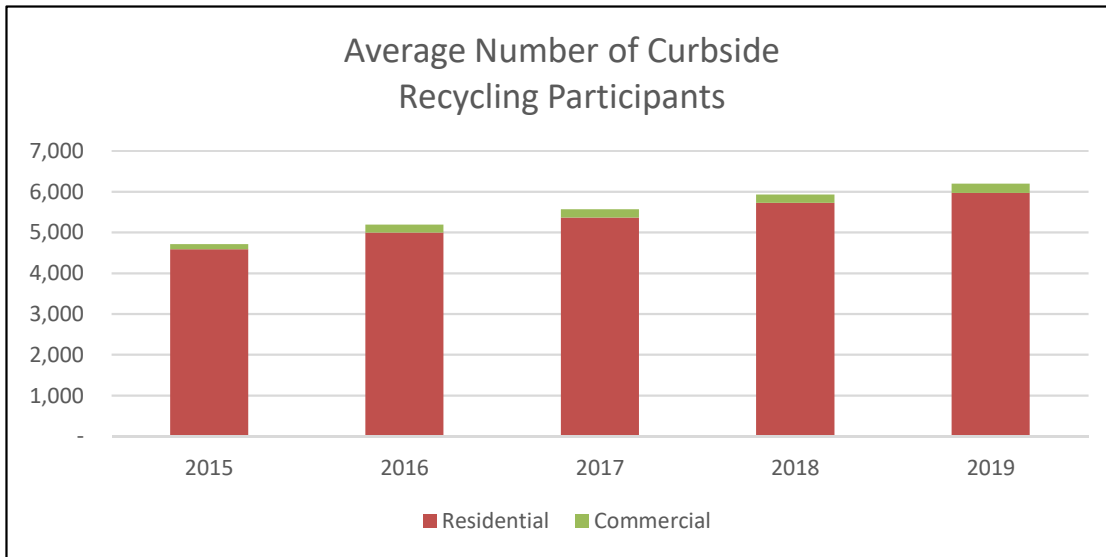
At the end of the second quarter, the City had sufficient funds set aside to fund the projected \$3,780,000 construction costs of the second phase closure infrastructure and provide 20% of the estimated \$3.45 million post-closure monitoring expenses. Post-closure care is required for 30 years after the cell stops accepting waste. Cash and investments designated for landfill closure totaled \$4,473,569 as of June 30. 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 June 30, 2019

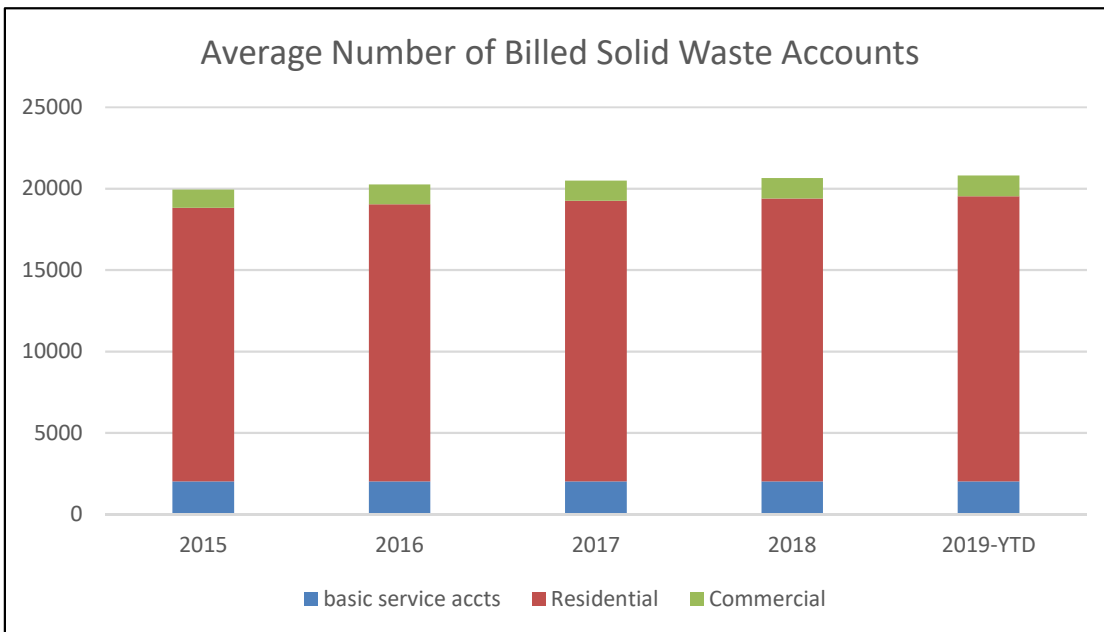
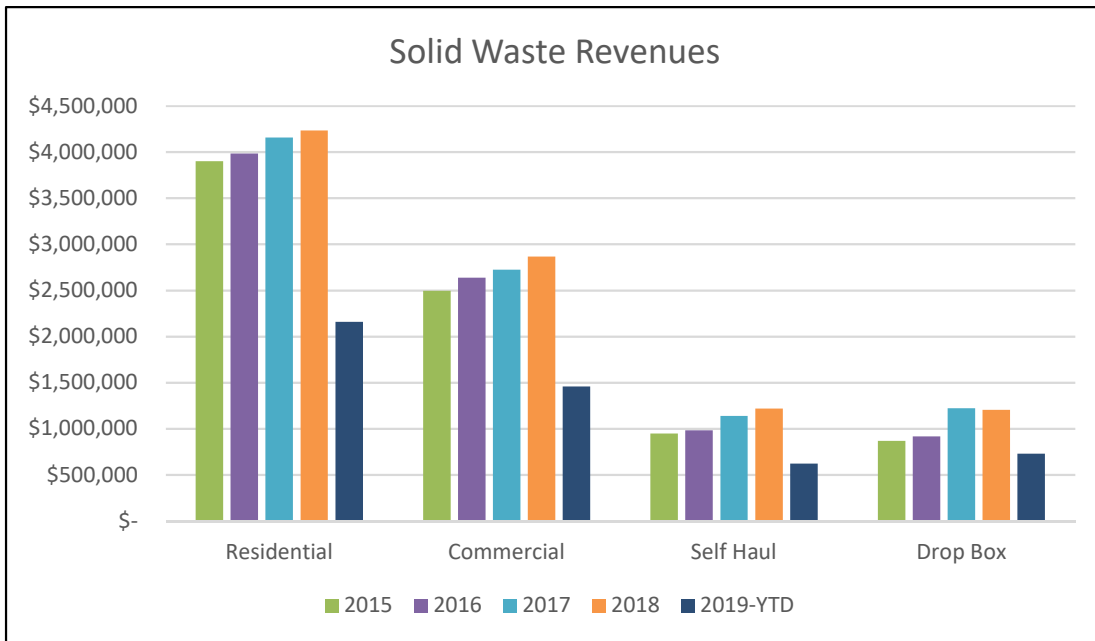


* The processing fee is the direct material handling fee assessed by an outside agency. This does not reflect the total cost of the recycling collection services provided by the City.

CITY OF RICHLAND, WASHINGTON

Solid Waste Fund Graphs

For the Period Ended June 30, 2019





CITY OF RICHLAND, WASHINGTON

**Stormwater Fund Financial
Statements**

**For the Quarter Ended
June 30, 2019**
(Unaudited)

Prepared by:
Administrative Services Department

CITY OF RICHLAND~Stormwater Fund~As of June 30, 2019

STATEMENT OF NET POSITION

ASSETS

Current:

Cash & equivalents	
Unrestricted	\$ 2,737,878
Management designated	-
Investments	(7,787)
Receivables:	
Customer accounts (net)	114,633
Due from other funds	-
Due from other governments	-
Prepaid Items	1,064
Total current assets	2,845,788

Noncurrent:

Restricted cash & equivalents	
Unspent bond proceeds	-
Scheduled debt repayments	89,122
Bond reserve covenant	67,084
Restricted Investments	-

Capital assets:

Land	8,587
Depreciable assets (net)	9,469
Infrastructure (net)	9,116,781
Construction in progress	134,104

Total capital assets 9,268,941

Total noncurrent assets 9,425,147

Total assets 12,270,935

DEFERRED OUTFLOW OF RESOURCES

Deferred amount-Refunded Debt	\$ 56,867
Deferred amount-Pension & OPEB	19,259
Total deferred outflow of resources	76,126

LIABILITIES

Current:

Accounts payable & accrued expenses	\$ 5,780
Interest on outstanding debt	6,793
Payable to other governments	2,336
Compensated absences-current portion	10,100
Claims & judgements-current portion	-
Notes & loans payable-current portion	49,935
Revenue bonds payable-current portion	115,000
Total current liabilities	189,944

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	849,280
Unearned revenue	-
Total noncurrent liabilities	1,068,709
Total liabilities	1,258,653

DEFERRED INFLOW OF RESOURCES

Deferred amount-pension & OPEB	32,477
--------------------------------	--------

NET POSITION

Net investment in capital assets 8,220,192

Restricted for:

Debt service	156,206
Capital improvements	-

Unrestricted 2,679,533

Total net position **\$ 11,055,931**

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

OPERATING REVENUES

Charges for services:	
Rate revenues	\$ 947,962
All others	8,923
Other operating revenues	-
Total operating revenues	956,885

OPERATING EXPENSES

Maintenance & Operation	241,386
Administration & general	179,404
Taxes	99,753
Depreciation	116,910
Total operating expenses	637,453
Operating income (loss)	\$ 319,432

NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$ 29,998
Net change in FMV interest	-
Interest expense	(19,837)
Debt costs	-
All other nonoperating revenues (expenses)	(1,078)
Total nonoperating revenues (expenses)	9,083

Income before capital contributions and transfers 328,515

Capital contributions	-
Transfers in	-
Transfers out	-

Change in net position 328,515

Net position-beginning 10,727,416

Prior period adjustment -

Net position-ending **\$ 11,055,931**

CITY OF RICHLAND~Stormwater Fund~As of June 30, 2019

STATEMENT OF CASH FLOWS

CASH FLOWS FROM...

<i>Operating activities:</i>	
Receipts from...	
Customers and users	\$ 959,481
Interfund services provided	-
Grants & contributions	-
Payments to/for...	
Suppliers	(67,368)
Employees	(83,097)
Taxes	(97,417)
Interfund services used	(291,135)
Net cash provided (used)	<u>\$ 420,464</u>
<i>Noncapital activities:</i>	
Receipts from...	
Customers and users	\$ 132
Grants & contributions	-
Transfers from other funds	50,000
Payments to/for...	
Other interest expense	-
Interfund loans repaid	-
Transfers to other funds	-
Net cash provided (used)	<u>\$ 50,132</u>
<i>Capital activities:</i>	
Receipts from...	
Bond proceeds	\$ -
Transfers from other funds	-
Payments to/for...	
Principal paid on debt	(50,093)
Interest paid on debt	(19,901)
Debt Issuance Costs	-
Transfers to other funds	-
Capital spending	(100,280)
Net cash provided (used)	<u>\$ (170,274)</u>
<i>Investing activities:</i>	
Receipts from...	
Interest earnings	\$ 29,998
Sale of investments	2,177,814
Payments to/for...	
Purchases of investments	-
Net cash provided (used)	<u>\$ 2,207,812</u>
Net change in cash & equivalents	2,508,134
Cash & equivalents-beginning	385,950
Cash & equivalents-ending	<u>\$ 2,894,084</u>

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

<i>Operating activities:</i>	
Operating income (loss)	\$ 319,432
<i>Adjustments for...</i>	
<i>Noncash transactions</i>	
Depreciation	116,910
Annual pension liability	-
<i>Cash transactions</i>	
(Increase)/decrease in receivables	3,662
(Increase)/decrease in prepaid items	(1,064)
(Increase)/decrease in inventory	-
Increase/(decrease) in payables	(18,476)
Increase/(decrease) in unearned revenues	-
Net cash provided (used)	<u>\$ 420,464</u>
Contribution of capital assets	\$ -

STORMWATER UTILITY
Activity for the Quarter Ended June 30, 2019

Revenue

The Stormwater Utility has been effectively funding operations with no change to the utility rates since 2009. For second quarter 2019, revenues for both residential and commercial classes increased an overall 1.2% when compared with 2018. The breakdown of utility billing charges by customer type for the Stormwater Utility is shown below.

STORMWATER

Customer Class	2019 Stormwater Revenue	% of Total Stormwater Revenue
Residential	\$433,281	46%
Commercial	514,681	54%
Total	\$947,962	100%

Expenses

The salaries and benefits expenses totaled \$83,097 through second quarter. These expenses represent 34% of the available category budget due to a vacant position.

Recognition of supplies expenses totaled \$8,582, which is only 27% of the category budget. The majority of supplies are for repairs completed in the summer months, so purchases have not been completed yet. Additionally, 17% of the supplies budget is dedicated to software upgrades which have also not yet been completed.

The service type expenses totaled \$36,911 for the two quarters, which expended 39% of the budget for this category. Utilities charges were ahead of schedule due to charges for disposal of street sweeping and pond debris. The majority of the expenses were due to payment of the first half of the Stormwater operating permit.

For interfund services, the year-to-date expenses of \$291,134 only consumed 35% of the budget for this category. Fleet maintenance expenses of \$52,493 only consumed 36% of the line-item budget. Regular maintenance and current fuel costs have a positive impact on these service charges. There were also \$15,957 in charges for Street Sweeping services recognized during the second quarter, which is only 12% of the budget. 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 2019 have only expended 14% of the budget. The 2018 true-up has offset current costs by \$19,717. Some of these savings will be utilized next year as the City's ERP project implementation continues.

Expenses for taxes through the second quarter were \$99,753, which was right on budget. The expenses recognized are a direct reflection of our revenue collections.

Capital and Long-Term Debt Activity

For 2019, the Stormwater Utility has several planned capital projects. The utility plans to replace an existing undersized pipeline along Leslie Rd. and complete Stormwater improvements in the Columbia Park Trail area. The 2019 budget sets aside \$2.8 million for these projects.

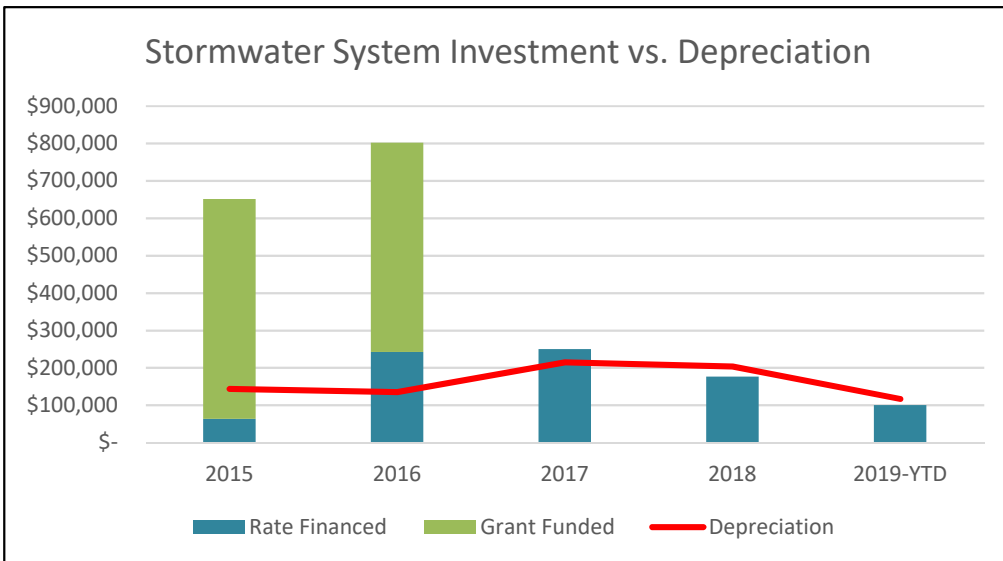
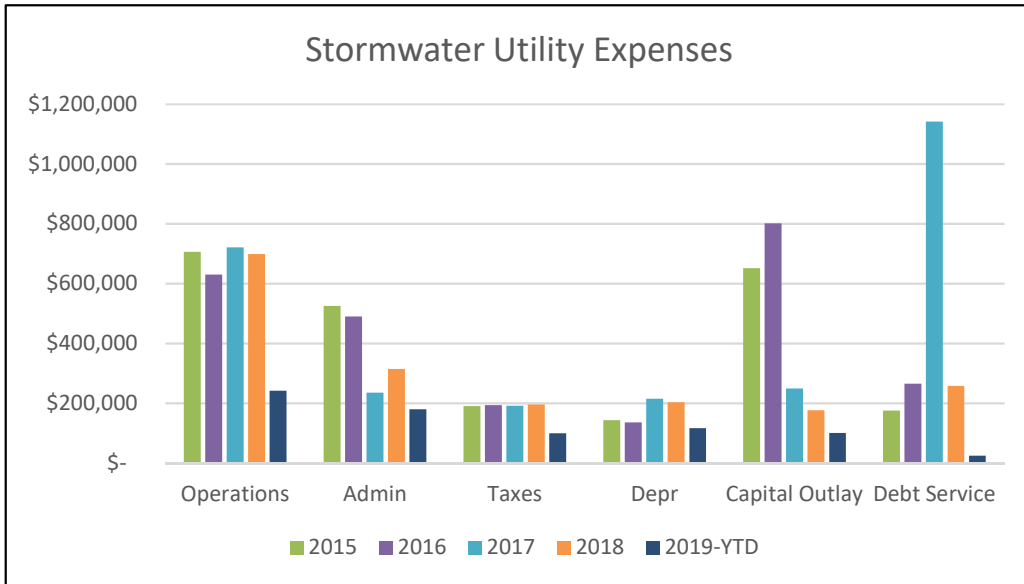
Construction projects of this nature typically occur in the summer months but work force constraints and grant applications are contributing to delays in project scheduling. Capital outlay of only \$100,280 occurred during the first half of 2019. These projects will be funded with a combination of rate revenue and grants.

Financial Position and Economic Outlook

The utility's operating income through second quarter 2019 is \$319,432. Operating revenues outpaced operating expenses, contributing towards an unreserved fund balance, which is exceeding the UAC recommended level by \$2.3 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 June 30, 2019



CITY OF RICHLAND, WASHINGTON

Stormwater Fund Graphs

For the Period Ended June 30, 2019

