



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

*City of Richland, Washington*





# CITY OF RICHLAND

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
December 31, 2016

Prepared by:

Administrative Services Department, Finance Division



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2016

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# INTRODUCTORY SECTION





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July 28, 2017

To His Honor, the Mayor, and  
The Honorable Members of the City Council, and  
Citizens of Richland, Washington

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the City of Richland for the year ended December 31, 2016. This report has been prepared and is presented in conformance with Generally Accepted Accounting Principles (GAAP) and the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

Washington State law requires an annual independent audit of the City's financial statements by the Washington State Auditor's Office. The State Auditor's office (SAO) conducts his examination in accordance with generally accepted auditing standards and provides an independent assessment that helps assure fair presentation of the City's financial position, results of operations, and the cash flows of its proprietary fund types. In addition to the opinion on the City's financial statements, included in this report, the SAO also issues separate reports on internal control and compliance with laws and regulations that meet the requirement of the Single Audit Act and related OMB Uniform Guidance published in Title 2 CFR 200, Subpart F. These reports are available in the City's separately issued Single Audit Report. The City received an unmodified ("clean") audit opinion from the SAO, which means in the Auditor's opinion, the financial statements provide reasonable assurance that the users of the financial statements may rely on presentations contained therein and that the statements are presented fairly in all material respects. The independent auditor's report is presented as the first component of the financial section of this report.

Management assumes full responsibility for the completeness and reliability of all information contained in this report based on a comprehensive framework of internal control that it has established for this purpose. These controls provide reasonable assurance that the City's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from any material misstatements. As Management, we assert that, to the best of our knowledge, this financial report is complete and reliable in all material respects and is presented in conformity with GAAP.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

In 1910, the small farming village of Richland was incorporated as a Fourth Class City. In 1942, federal officials selected Richland as one of three communities nationwide to help develop the atomic bomb. The United States government took over the town of Richland as part of its Manhattan Project, and almost overnight the small town of 247 people grew into a federally owned town of 11,000 people. In 1958 Richland again became a self-governed city when residents approved its charter as a First Class City with a city council-city manager form of government. Voters elect seven at-large City Council members who represent the entire community, not individual districts. From among themselves, Council members elect a Mayor and a Mayor Pro Tem. The Council sets policies, adopts ordinances and the annual budget, approves contracts, appoints individuals to boards and commissions and hires the City Manager. As Chief Executive Officer, the City Manager hires personnel, supervises daily operations, oversees enforcement of laws and is responsible for the annual budget. The Assistant City Manager and department heads are responsible for the City’s day-to-day services and programs within the divisions they supervise.

## **BUDGETS AND BUDGETARY ACCOUNTING**

The operating budget is proposed by the City Manager in early fall to the City Council. Following this, a public hearing is conducted, allowing the public to provide comments. In accordance with RCW 36.33.055, the preliminary budget is available for public review in the Office of the City Clerk, the Richland Public Library and on the City’s website. Assuming the budget stands as presented, first and second readings are given to the budget ordinance, and final passage occurs upon 2<sup>nd</sup> reading. The budget takes effect January 1 of the ensuing year. The budget appropriates fiscal year expenditures at the fund level. Appropriations in the Budget are valid only for the fiscal year, except for appropriations that support capital projects, grants, or endowments that are specifically carried over by Council action, in accordance with Washington State law as prescribed in RCW 35.33.151.

The City Council also approves the City’s Capital Improvement Plan (CIP). The CIP is proposed by the City Manager and adopted by the City Council during the budgeting process. The CIP is a multiyear plan that provides a programmed approach to using the City’s financial resources in the most efficient manner to meet capital needs.

## **ECONOMIC OUTLOOK**

The region’s economy is anchored in research and development, technology, manufacturing, agriculture, retail and healthcare. Major employers include Battelle Memorial Institute, Kadlec Regional Medical Center, Bechtel National, Washington River Protection Solutions, Mission Support Alliance, Richland School District, Energy Northwest, AREVA, City of Richland and Washington Closure Hanford.

Average household income has grown 30.7% since 2000. In 2016 the median household income was \$72,733 and per capita personal income was \$41,752. Tri-Cities has a highly educated workforce with a

large number of scientists and engineers per capita residing in the area. The median listing price of a home in the area was \$288,406, and median rent was \$1,675. There were 271 single family residence building permits issued in 2016 with a total value of \$88.67 million. Property tax was an average of \$11.71 per \$1,000 of assessed value.

Robust commercial development continued in 2016, with 81 new commercial construction permits issued with a total value of \$129.14 million. Hotels, new businesses, the area's only five-deck parking garage, and numerous new dining establishments opened in 2016. Retail sales, driven by new business growth, have driven sales tax revenues up by more than 10% in 2016. Property tax receipts are up more than 5%. Due to our growth, the region was declared the fastest growing job market in the State by the Washington State Employment Security Department in 2017.

## **FINANCIAL PLANNING**

The City uses its operational forecasts and Capital Improvement Plan (CIP) as long-term financial planning tools. These planning tools provide valuable information that enables city management to make decisions with greater consideration of financial consequences in identifying and prioritizing capital projects and major capital purchases. However, an economically vital Richland requires a team effort between regional organization, neighboring cities, ports, other public entities, and the private sector.

The City has partnered with the Tri-City Development Council and the Port of Benton to plan for development of the Mid-Columbia Energy Park. The Energy Park will be a center for energy innovation supported by PNNL, and Washington State University's Bio-products, Sciences and Engineering Laboratory. With the 1,341 acre land transfer from the US Department of Energy complete, the land will be marketed to energy industries.

Richland's success in funding construction of its highest priority transportation project, the Duportail Bridge will provide congestion relief, economic development and job creation, as well as in increase the safety of its citizens through utility services sustainability, and emergency response and disaster preparedness. Other planned partnerships include additional substations, a new animal control shelter, and a Bi-County emergency dispatch center.

## **MAJOR ACHIEVEMENTS**

Some of the City of Richland's achievements in 2016 include:

- Launched a new City website which enables us to share City information and events, while allowing for better search capabilities and a mobile interface in a timely and effective manner.
- Started a process for replacement of its outdated core financial system, identified current business processes, desired processes, software requirements, and a project management plan for the phased roll out of software and hardware.
- The City's cost allocation plan was updated and will be implemented in 2017.
- Completed construction of the HAPO Community stage at John Dam Plaza, new walkway, irrigation, artwork, restroom parking lot improvements and trees.

- The Hanford site was designated as a National Historic Park.
- The U.S. Department of Energy finalized the transfer of 1,641 acres to Tri-City Development Council, stipulating the land be turned over to the Port of Benton, the City of Richland and Benton County for economic development purposes. Richland received 581 acres.
- Designed and initiated construction of a \$4.5 million transformer bank addition at Snyder Substation, which will support the new Lamb Weston expansion and future growth in the City's Horn Rapids Industrial Park.
- Planned project and purchased land for the Leslie Rd Substation, Richland's 9<sup>th</sup> substation which will be commissioned in 2018.
- Successfully implemented over \$1 million in conservation improvements including over 300 residential projects, 20 commercial lighting projects, and a major industrial energy-saving project at Lamb Weston.
- Home Investment Partnership Program (HOME) funds were used to assist 14 low-income families purchase their first home in Richland.
- Community Development Block Grant (CDBG) funds were used to complete the installation of a 60'x75' concrete basketball court at Craighill Park.
- CDBG funds were used to install six Audible Pedestrian Signals and thirteen ADA ramps in Richland's Central Business District.
- Completion of the Horn Rapids Master Plan, guiding the city in the development and attraction of this vital economic region for many years to come.
- Central Washington Corn Processors opened their facility at the north end of the Richland Rail Loop, creating a catalyst for rail-transported grain to be sorted in Richland.
- The Library was awarded the Microsoft Imagine Academy Grant.
- Processed and issued permits for over \$260 million dollars in new construction, a 17% increase over 2015 construction levels.
- Installed electronic book processing at the Library, saving staff costs.

## **MAJOR INITIATIVES**

The mission of any city is to provide essential services to its residents while enhancing the community's quality of life. The City Council and staff are committed to providing the leadership necessary to enhance the community's favorable quality of life, protecting Richland's natural environment and maintaining the confidence and trust of its citizens and business owners.

Some of the City projects planned in Richland for 2017 include:

- Begin replacement of the City's core financial software system with the entire project being implemented over three years.
- The City anticipates receiving \$20 million secured by the Washington State Legislature and with the passage of a Transportation Benefit District, will have a successful path forward toward completing the Duportail Bridge.
- Property for the future City Hall has been identified and is under contract, a design/build contractor has been secured and planning is underway. The project is anticipated to be completed in fall 2019.



- Recreation enhancements will include a fitness room at the Community Center, an expansion of the dog park, a widening of the riverfront trail, a creation of a sand beach and enhanced volleyball courts at Leslie Groves Park, and La Crosse fields at Columbia Point.
- Replace aging equipment and fleet, including a state-of-the art ambulance and fire truck.
- Work with the Port of Benton to develop a conceptual plan for a possible inland port in Richland's Horn Rapids area.
- Upgrade Mobile Data Computers in both Police and Fire vehicles.
- Police participation in the Internet Crimes Against Children Task Force, a national network of law enforcement and prosecutorial agencies devoted to combatting technology-facilitated child sexual exploitation and internet crimes against children.
- Establish policies to support a wholesale power resource management agreement to position Energy Services to purchase power in 2020-24 at low market purchase prices.
- Update cost of service analysis (COSA) and determine electric rate recommendations.
- Issue an RFP to implement a Smart Grid advanced metering infrastructure and data management system in 2018-19.
- Construct a transmission line supporting reliability and future needs in the south Richland area.
- Equip STEAMspace (Science, Technology, Engineering, Art & Math). – A makerspace in the library where persons of all ages will learn by doing.
- Complete an assessment and upgrade of the Library's wireless access points. More of the community is bringing their own computers in and this will greatly enhance the service.
- Complete upgrade to Evergreen software, to give Library patrons greater access to resources and their accounts, as well as support cloud computing, saving on staff and equipment costs.
- Complete installation of the Library's automated materials handling system, saving staff costs.

For the 3<sup>rd</sup> consecutive year in a row the Certificate of Achievement for Excellence in Financial Reporting was awarded to the City of Richland by the Government Finance Officers Association for its CAFR, fiscal year ending December 31, 2015. Each year, the preparation of this report is not possible without the skill, effort and dedication of the Finance Division staff.

Sincere appreciation is expressed to the City leadership, staff members and others who participated in the development of this report. We also wish to express our sincere appreciation to the Mayor and the City Council for maintaining the highest standards of professionalism in the management of the City of Richland's finances.

Respectfully Submitted,



Cindy Reents, ICMA-CM  
City Manager



Brandon Allen  
Finance Director





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

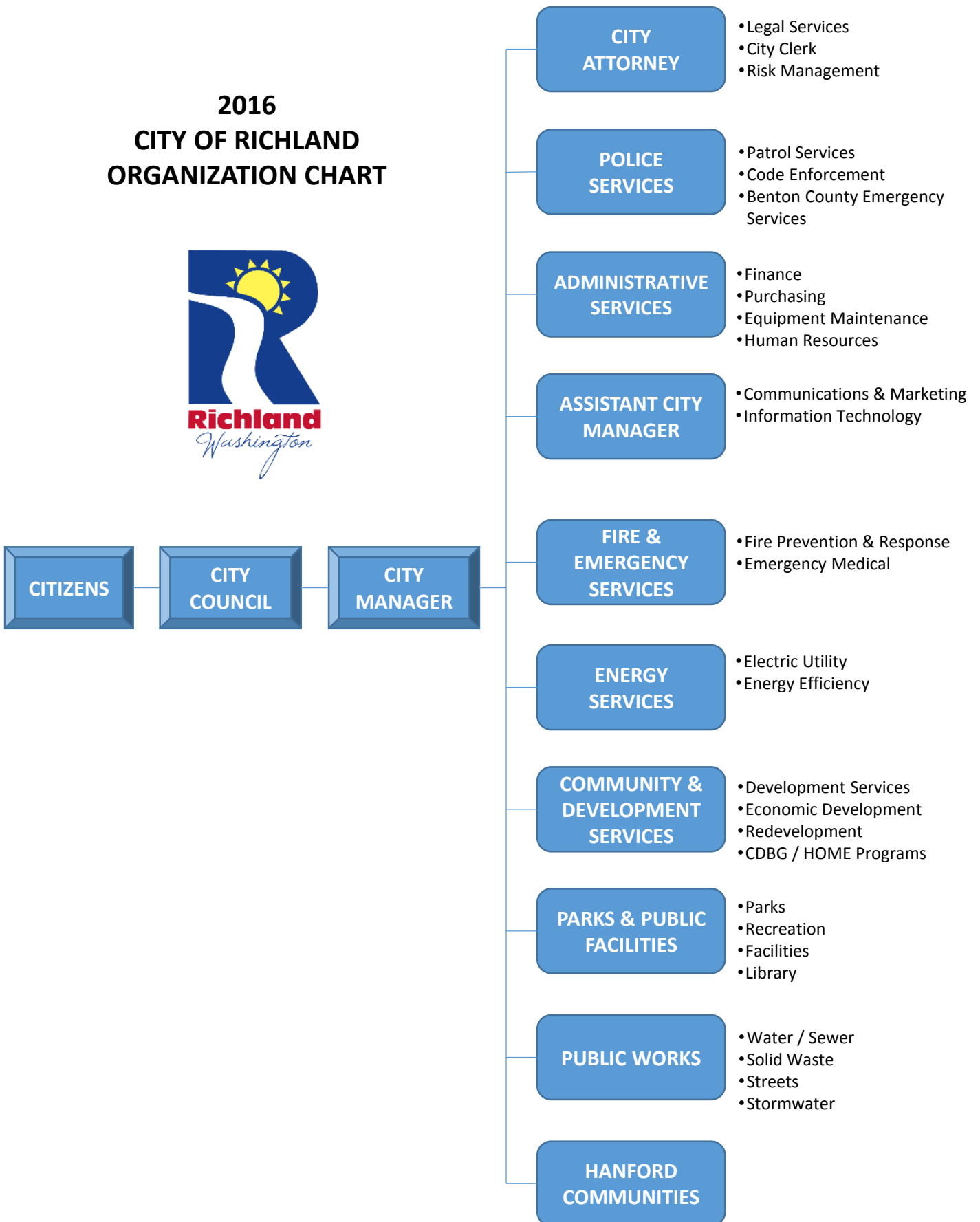
**City of Richland  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

# 2016 CITY OF RICHLAND ORGANIZATION CHART



# 2016 RICHLAND CITY COUNCIL



MAYOR

Bob Thompson

Term: 4 Years – Expires 12/31/17



MAYOR PRO TEM

Terry Christensen

Term: 4 Years – Expires 12/31/19



COUNCIL MEMBER

Brad Anderson

Term: 4 Years – Expires 12/31/19



COUNCIL MEMBER

Dori Luzzo Gilmour

Term: 2 Years – Expires 12/31/17



COUNCIL MEMBER

Sandra Kent

Term: 4 Years – Expires 12/31/17



COUNCIL MEMBER

Phillip Lemley

Term: 4 Years – Expires 12/31/19



COUNCIL MEMBER

Dave Rose

Term: 4 Years – Expires 12/31/17

**2016 City of Richland  
Directory of City Officials**



<b>ELECTED OFFICIALS</b>	<b>TERM EXPIRES</b>
<b>Mayor</b> <i>Robert J. Thompson</i>	12/31/2017
<b>Mayor Pro Tem</b> <i>Terry Christensen</i>	12/31/2019
<b>Councilmember</b> <i>Brad Anderson</i>	12/31/2019
<b>Councilmember</b> <i>Dori Luzzo Gilmour</i>	12/31/2017
<b>Councilmember</b> Sandra Kent	12/31/2017
<b>Councilmember</b> <i>Phillip Lemley</i>	12/31/2019
<b>Councilmember</b> <i>Dave Rose</i>	12/31/2017

**ADMINISTRATIVE OFFICIALS**

- City Manager**  
*Cindy Reents*
- Assistant City Manager**  
*Jon Amundson*
- Administrative Services Director**  
*Cathleen Koch*
- City Attorney**  
*Heather Kintzley*
- Community Development Director**  
*Kerwin Jensen*
- Energy Services Director**  
*Robert Hammond*
- Fire & Emergency Services Director**  
*Tom Huntington*
- Parks & Public Facilities Director**  
*Joe Schiessl*
- Police Services Director**  
*Chris Skinner*
- Public Works Director**  
Pete Rogalsky



# FINANCIAL SECTION





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

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

July 28, 2017

Mayor and City Council  
City of Richland  
Richland, Washington

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Richland, Benton County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Richland, Benton County, Washington, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Streets funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 39, information on postemployment benefits other than pensions on pages 123 through 124, and pension plan information on pages 125 through 130 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 131 through 181 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

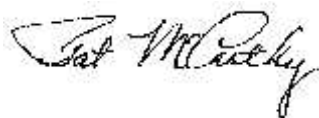
The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we will also issue our report dated July 28, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA







# MANAGEMENT'S DISCUSSION AND ANALYSIS



## INTRODUCTION

The management of the City of Richland is pleased to present this discussion and analysis of the 2016 Comprehensive Annual Financial Report. The intent is to introduce the reader to the City's operations, explain how they are presented in this report, highlight significant financial activities during the period and provide a look at what is anticipated in the future for the City. This discussion and analysis should be considered in conjunction with the Letter of Transmittal as well as the other components of the report.

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

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

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

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



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

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



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

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

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

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

**Other activities** include pension trust funds and agency funds. The pension trust funds account for resources held in trust for the members and beneficiaries of the City's fire and police defined benefit plans. The agency funds account for activities where the City acts in a custodial manner on behalf of other external agencies or organizations.

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

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

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

**Government-Wide Financial Statements** present the City's financial position as a whole as of December 31, 2016, and the activities that resulted in that position. It further provides the financial position and activities of the component unit. The financial position is found in the Statement of Net Position, while the activities resulting in the ending financial position are found in the Statement of Activities. Governmental and business-type activities are aggregated in their own respective columns.

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

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

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

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

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

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

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

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

**FINANCIAL HIGHLIGHTS**

This discussion and analysis provides information on the amounts and activities presented in the summarized Government-Wide Statements, compared to the prior year, as well as significant events and transactions that impacted the City's financial activity during 2016.

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

**Condensed Statement of Net Position**

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2016	2015	2016	2015	2016	2015
Current & other assets	\$ 75,950,859	\$ 56,430,575	\$ 40,134,904	\$ 38,374,316	\$ 116,085,763	\$ 94,804,891
Restricted assets			34,446,311	39,130,978	34,446,311	39,130,978
Capital assets, net	120,423,079	109,197,138	258,699,245	255,222,396	379,122,324	364,419,534
<b>Total assets</b>	<b>196,373,938</b>	<b>165,627,713</b>	<b>333,280,460</b>	<b>332,727,690</b>	<b>529,654,398</b>	<b>498,355,403</b>
Deferred charge on refunding	476,105	531,095	749,389	975,000	1,225,494	1,506,095
Pension	3,793,464	1,996,934	2,423,848	1,364,803	6,217,312	3,361,737
<b>Total deferred outflows of resources</b>	<b>4,269,569</b>	<b>2,528,029</b>	<b>3,173,237</b>	<b>2,339,803</b>	<b>7,442,806</b>	<b>4,867,832</b>
Long-term liabilities outstanding	63,717,898	58,258,220	129,535,833	135,991,954	193,253,731	194,250,174
Other liabilities	12,124,022	11,104,260	16,034,670	16,126,782	28,158,692	27,231,042
<b>Total liabilities</b>	<b>75,841,920</b>	<b>69,362,480</b>	<b>145,570,503</b>	<b>152,118,736</b>	<b>221,412,423</b>	<b>221,481,216</b>
Deferred transfer SCA assets	1,188,500	1,137,000			1,188,500	1,137,000
Pension	560,178	3,102,076	315,205	1,924,481	875,383	5,026,557
<b>Total deferred inflows of resources</b>	<b>1,748,678</b>	<b>4,239,076</b>	<b>315,205</b>	<b>1,924,481</b>	<b>2,063,883</b>	<b>6,163,557</b>
<b>Net Position:</b>						
Net investment in capital assets	92,515,556	77,921,984	158,307,907	150,079,976	250,823,463	228,001,960
Restricted	27,908,406	12,390,522	15,883,919	16,628,777	43,792,325	29,019,299
Unrestricted	2,628,947	4,241,680	16,376,163	14,315,523	19,005,110	18,557,203
<b>Total net position</b>	<b>\$ 123,052,909</b>	<b>\$ 94,554,186</b>	<b>\$ 190,567,989</b>	<b>\$ 181,024,276</b>	<b>\$ 313,620,898</b>	<b>\$ 275,578,462</b>



CITY OF RICHLAND, WASHINGTON  
 Comprehensive Annual Financial Report  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2016

**Condensed Statement of Activities**

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	2016	2015	2016	2015	2016	2015
<b>REVENUES:</b>						
Program Revenues:						
Charges for services	\$ 18,362,861	\$ 13,539,383	\$ 104,309,455	\$ 97,223,711	\$ 122,672,316	\$ 110,763,094
Operating grants & contributions	1,826,779	2,184,976	68,092	63,827	1,894,871	2,248,803
Capital grants & contributions	3,343,624	2,544,143	4,269,608	4,367,793	7,613,232	6,911,936
General Revenues:						
Property taxes	16,889,650	16,201,248			16,889,650	16,201,248
Other taxes	24,429,167	23,095,129			24,429,167	23,095,129
Other	6,306,469	1,342,175	342,502	427,386	6,648,971	1,769,561
Total revenues	71,158,550	58,907,054	108,989,657	102,082,717	180,148,207	160,989,771
<b>EXPENSES:</b>						
Judicial	736,826	752,070			736,826	752,070
General government	15,442,282	14,260,390			15,442,282	14,260,390
Public safety	26,983,227	21,032,731			26,983,227	21,032,731
Physical environment	246,912	243,518			246,912	243,518
Transportation	6,534,382	11,977,801			6,534,382	11,977,801
Health & human services	14,097	11,954			14,097	11,954
Economic environment	5,594,614	5,456,432			5,594,614	5,456,432
Culture & recreation	8,005,109	7,821,561			8,005,109	7,821,561
Interest on long-term debt	1,229,272	1,489,579			1,229,272	1,489,579
Electric			59,375,689	54,615,686	59,375,689	54,615,686
Water			10,989,873	9,903,328	10,989,873	9,903,328
Sewer			8,265,826	6,880,869	8,265,826	6,880,869
Solid waste			5,812,417	8,675,356	5,812,417	8,675,356
Stormwater			1,306,497	1,532,140	1,306,497	1,532,140
Golf course			1,717,876	1,612,671	1,717,876	1,612,671
Medical services			3,602,718	3,036,998	3,602,718	3,036,998
Broadband			174,712	180,575	174,712	180,575
Total expenses	64,786,721	63,046,036	91,245,608	86,437,623	156,032,329	149,483,659
Excess/(deficiency) before transfers	6,371,829	(4,138,982)	17,744,049	15,645,094	24,115,878	11,506,112
Transfers	8,196,381	4,581,273	(8,196,381)	(4,581,273)		
Change in net position	14,568,210	442,291	9,547,668	11,063,821	24,115,878	11,506,112
Net position, January 1	94,554,186	94,111,895	181,024,276	169,986,681	275,578,462	264,098,576
Prior period adjustments	13,930,513		(3,955)	(26,226)	13,926,558	(26,226)
<b>Net position, December 31</b>	<b>\$ 123,052,909</b>	<b>\$ 94,554,186</b>	<b>\$ 190,567,989</b>	<b>\$ 181,024,276</b>	<b>\$ 313,620,898</b>	<b>\$ 275,578,462</b>

**FINANCIAL RESULTS**

**Government-Wide Activities**

Overall, the City's 2016 activities resulted in a \$24.1 million increase in net position before applying prior period adjustments. Adjustments for prior period activity, relating to governmental activities' land held for sale, fire and police pension liability balances and other smaller adjustments resulted in an additional \$13.9 million increase, for a total increase of \$38.0 million in reported ending net position. A discussion of these adjustments can be found under the heading Prior Period Adjustments in Note 1 to the Financial Statements. By comparison, the City experienced an increase in 2015 of \$11.5 million before prior period adjustments. The continued growth from one year to the next is a reflection of the City's long-term approach to the economic environment within which the City operates. Of the total net position at December 31, 2016, \$19.0 million is unrestricted and available to finance future activities. Looking deeper into the Government-Wide Statements, governmental activities increased net position by \$14.6 million, while net position increased as a result of business-type activities by \$9.5 million, before prior period adjustments.

Total revenues on the Government-Wide Statement of Activities were \$19.2 million higher than the prior year. Governmental revenues were \$12.3 million higher than the prior year, while business-type activity revenues were \$6.9 million higher. Business-type activities' charges for services increased \$7.1 million and capital grants and contributions decreased by \$98,185. A more in-depth discussion of major business-type funds occurs later in this discussion and analysis.

Governmental activities' charges for services increased \$4.8 million over the prior year. This change was primarily due to increases in the public safety and economic environment functions; accounting for \$3.7 million and \$1.1 million of the increase, respectively. Other smaller increases and decreases in various governmental functions make up the balance of the change. The increase in public safety was due almost entirely to a change in the way the City reports its employees that staff the Benton County Emergency Services activities. In prior year the labor and benefits costs were reported in the BCES related agency funds. Beginning in 2016, after reviewing the language in the BCES operating agreements, the City now reports these labor costs, and an offsetting fee revenue in a new special revenue fund, the BCES Operations Fund. Personnel fee revenues in the BCES Operations Fund in 2016 were \$3.8 million. The increase in economic environment was due to several factors: Local Improvement District (LID) assessments (both prepaid and assessments accrued as receivable) for the Reata LID added \$612,635 in revenues, building permit and related fees increased 331,611, and HUD program income increased \$125,329 over the prior year.



*...the City's 2016 activities resulted in a \$24.1 million increase in net position ...*

Governmental operating grant and contribution revenues were \$358,197 less than the prior year, mainly due to a \$417,582 decrease in HUD grants in the economic environment function. Grants for the HOME program decreased \$536,570 and CDBG grants increased \$118,988. Other minor increases in public safety and physical environment compose the rest of the change in operating grants and contributions.



Capital grants and contributions were \$799,481 higher than the prior year. Capital grants typically fluctuate depending upon the projects that are being pursued. In the transportation function, \$634,946 of the increase relates to various streets construction projects currently in progress. In the culture and recreation function, there was \$182,689 in contributions to the parking lot improvements at Trailhead Park. Other minor increases and decreases made up the rest of the change from prior year.

In the general revenues section of the Statement of Activities, total tax revenues increased \$2.0 million over the prior year. In 2016, for the seventh year in a row, the City chose not to take the 1% increase to the property tax levy on existing property. Nevertheless, new construction remained steady, resulting in an increased tax base and a \$688,402 increase in property tax revenues. Sales tax revenue continued its upward trend, posting a \$1.2 million increase due to increases in sales activity, especially as construction contracting and retail trade continue to expand. Utility taxes collected from non-City utilities decreased by \$214,721 from the prior year. This includes taxes on natural gas, telephone, cable, and electric utility tax.



Other tax revenues increased by \$329,597, mainly due to 2016 being the first full year of operations for Richland's only movie theater. This generated an increase of \$229,753 in admissions taxes. Increases in other taxes also included a fuel tax increase of \$44,955, a new Multimodal Transportation distribution of \$54,323, liquor excise tax increase of \$79,241, and other various increases and small decreases. While Real Estate Excise taxes showed a decrease of \$119,198, the prior year did include a single \$1.0 million transaction that skews the year to year comparison. Adjusting for that one transaction, real estate excise taxes would have actually increased by over \$900,000. This, coupled with the increase in property taxes and building permit revenues mentioned earlier, serves to highlight the strong annual growth and development in Richland. Miscellaneous revenues consist of two types of items: (1) Road and lighting infrastructure contributed to the City by developers increased \$217,195 over the prior year, and (2) In early 2016 the US Department of Energy contributed 581 acres of undeveloped land to the City for Industrial/Economic Development purposes. Based on the City's experience with selling both developed and undeveloped property, the contributed land is being reported with a value of just over \$8,000 per acre, for a total value of \$4,649,600.

Salaries and benefits are the most significant expense to the City, beyond wholesale power purchases. City-wide, total noncapital expenses increased by \$6.5 million from the prior year. Governmental-type activity expenses increased \$1.7 million in total, with increases in the public safety and general government functions and a decrease in transportation. Public safety expenses increased \$5.9 million, largely due to the addition of the BCES Operations fund, which added \$3.8 million in labor expenses, offset by an equal amount in fee revenues collected from BCES. The other large increase to public safety is the \$2.2 million increase in net OPEB liability on the government-wide statements related to police and fire OPEB plans as a result of 2016 OPEB expense. General government expenses increased \$1.1 million over the prior year. Part of the increase comes from a \$469,249 change in pension expense in 2016. In 2015 a negative \$510,866 was recognized versus only a negative \$41,617 in 2016. Preliminary design costs associated with the effort to secure a new City Hall building added \$337,665, while consulting costs for IT initiatives added over \$200,000. Transportation depreciation expense decreased \$5.8 million due to a large block of infrastructure reaching the end of its depreciable life. The balance of the change came from various increases and decreases in the General Fund.

In business-type activities, electric utility expenses increased \$4.8 million; water utility expenses increased \$1.1 million; sewer utility expenses increased \$1.4 million; solid waste utility expenditures decreased \$2.9 million; and other business-type fund expenses increased a combined total of \$439,419. More detail on activities of the major business-type funds is presented later in this discussion and analysis.

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

### **Governmental Activities**

Governmental activities account for \$123.1 million in total net position at year end, a \$14.6 million increase over the prior year before taking into account prior period adjustments. The unrestricted portion of net position decreased \$1.6 million, leaving a total of just under \$2.6 million in available resources to finance future activities of the governmental funds. The primary contributors to governmental activities' net position are usually capital and debt-financed capital activities, as well as activities found in the City's two major governmental funds: the General Fund and the Streets Fund. However in 2016 there was an over \$4.6 million increase from land the US Dept. of Energy transferred to the City, to be held for resale.

***Capital and Debt-Financed Capital:*** Net investment in capital assets increased \$14.6 million in 2016. This balance is a reflection of not only capital purchases, but also the effect of depreciation expense and changes to general obligation debt, which financed past and current capital outlays. Of the \$221.4 million in total city liabilities, \$33.6 million or 15.17% is governmental activities' general obligation debt (i.e. payable on the full faith and credit of the City) related to capital activities. \$13.9 million in general obligation debt is voter approved and supported by special property tax levies, while the remaining \$19.7 million is non-voted or "Councilmanic" debt.

The City maintains strong credit ratings on its general obligation debt with a Standard & Poor's rating of AA on Unlimited Tax General Obligation Debt and Limited Tax General Obligation Debt (upgraded to AA+ in March 2017) For more information on long-term debt see Note 3 in the Notes to the Financial Statements.

Improvements to the City's parks and streets continue to remain a high priority for the City. The following were some of the major governmental capital outlays for fiscal year 2016. For more information on capital assets see Note 2 in the Notes to the Financial Statements.

- Effective January 1, 2011 the *City's Revitalization Area for Industry, Science and Education* (RAISE) was approved as part of the State's Local Revitalization Financing (LRF) program. The LRF program utilizes incremental local and state tax revenues originating from within the RAISE to fund infrastructure additions that will spur private development in the area. In 2016, total governmental activities' capital outlay for infrastructure within the RAISE was \$549,916. A portion of the infrastructure will be contributed to the City's utility funds upon completion.
- As part of the Swift Corridor capital program, the current City Hall is scheduled to be replaced. In 2016 the City acquired land for a new City Hall for a total of \$592,344. An additional \$5,695 in capital expenditures were made toward design of the new building.
- The City is continuing its efforts to secure a railroad crossing permit in order to extend Center Parkway, connecting Gage Boulevard to Tapteal Drive. Total 2016 outlay was \$99,407.
- Stevens Drive South Extension, and Duportail Street Extension/Reconstruction: These projects are interrelated, in that they will result in a new corridor connecting the south end of Stevens Drive to Duportail Street. Total capital outlay on these projects were \$3.1 million in 2016. Eventually this corridor will connect to the Duportail Bridge, when built.
- The Duportail Bridge project is currently in the property acquisition and preliminary engineering stage. The City spent \$1.3 million in 2016 in these efforts.
- Nearly \$755,000 in capital expenditures went toward many different park, recreation and open space projects. Most of this was the \$449,607 in improvements to John Dam Plaza; and \$114,326 in improvements to the ORV Park Campground, with many other smaller improvements throughout the City's parks and recreational facilities.



### Major Governmental Funds

**General Fund** activity resulted in a fund balance increase of \$6.7 million or 336.5% from the prior year. Revenues increased by \$3.3 million or 6.7%, while expenditures increased \$396,654 or 0.9%. Tax revenues are the primary revenue source for the General Fund, and represent \$2.9 million of the increase in revenues over the prior year. Sales taxes and property taxes were the main reason for the increase in tax revenues, by \$1.1 million and \$741,734, respectively, mainly due to new residential and commercial construction and the continued expansion of retail and restaurant locations in Richland. Utility tax revenues increased by \$746,226. This increase was driven mainly by higher Electric Fund revenues subject to the tax, after an energy rate increase was enacted January 1, 2016. Some of the increase in Electric and other City utilities' taxes was offset by decreases in taxes received from other non-City utilities. Utility tax from telephone companies continues to decline. Finally, other taxes increased \$294,784, mainly due to the increase in admissions tax from a new movie theater, as mentioned previously. Licenses and permits revenue increased \$163,470, due mainly to increases in building permit revenues. Charges for services increased \$161,047, mainly related to plan checking fees and from cost allocation charges to City departments outside the General Fund, offset by various other smaller increases and decreases. Fines and forfeits revenues decreased \$211,429. This is likely due to the fact that Benton County, whom the City contracts with for its jail function, has stopped incarcerating inmates for non-payment of fines. This was in response to a lawsuit brought by the ACLU. Unless the County finds another means of encouraging collection of these fines, it is likely this revenue source will continue at 2016 levels going forward.

Non-capital General Fund expenditures on the 2016 Statement of Revenues, Expenditures and Changes in Net Position were \$658,672 higher than the prior year. The increases mainly occurred in general government, public safety, and culture and recreation expenditures. Salaries and benefits, the largest expenditure in the General Fund, increased by \$280,231, or 0.94%, due to annual pay increases.



With the many challenges facing the City's primary operating fund, great care is taken to monitor its activities relative to the annual budget approved by the City Council. As described in Note 1 in the Notes to the Financial Statements, this fund is budgeted in accordance with Washington State law and City policies, such that revisions to the budget are carefully administered. A Schedule of Revenues, Expenditures and Changes in Net Position "Budget and Actual" is provided within the CAFR, to present comparisons between actual revenues and expenditures, and the original and amended final budgets. Overall, revenues and expenditures were 105% and 93% of their respective adjusted budgets. The largest budget-actual dollar variance in revenues was in taxes, at \$2.5 million more than the adjusted budget, a 6.74% variance, followed by charges for goods and services, at (\$526,135), or 7.06% lower than the adjusted budget. The largest budget-actual dollar variance in expenditures, by function, was in general government operating expenditures, which came in \$2.2 million below the adjusted budget. This was primarily due to budgeted expenditures for projects in the Information Technology division and the Finance division, and in non-departmental expenditures. Most of the IT division amounts not spent in the current year are carried over to the subsequent year to continue those projects. The unspent amounts in Finance were primarily from vacant positions that either went unfilled or were filled partway through the year, and are not carried over. The unspent amounts in the non-departmental budget were primarily related to services provided by the Public Works Administration and Engineering Fund, which is not carried over to the subsequent year. Other less significant general governmental budget variances occurred throughout the remaining divisions.

The following are the more significant adjustments made to the General fund original budget in 2016.

- General Fund revenue budget was increased by \$134,614, mainly to include grant and donation revenues as a funding source for related expenditures added to appropriations in 2016, the largest of which was a \$100,000 increase to donation revenue for a portion of the “makerspace” library project expenditure increase.
- A library project to build a “makerspace” was added for \$270,000.
- Nondepartmental expenditures were increased by \$151,000 to allow for the City to release the administrative allowance held for insurance purposes back to ICMA. The allowance is no longer necessary.
- Budget carryovers for prior year uncompleted projects and encumbrances totaled \$956,972.
- Planning Department expenditures were increased by \$75,000 to cover the cost of a consultant to help update the City's Comprehensive Plan.



**Streets Fund** activity includes maintenance and operation of the City's transportation system. Activity in 2016 resulted in a decrease to fund balance of \$455,239. Most of the decrease was due to a one-time interfund transfer to the Streets Construction Fund of \$537,000 to support the Pavement Management Program. Revenues increased \$3,077 and expenditures increased \$117,742 over the prior year. \$59,334 of the increase in expenditures was employee labor and benefits, while \$47,317 was due to increases in interfund charges for services. Other various increases and decreases made up the rest of the variance from the prior year.

#### **Business-Type Activities**

Business-type activities produced an ending net position of \$190.6 million, reflecting an increase of \$9.6 million during the year 2016. Unrestricted net position increased by \$2.1 million to provide a total of \$16.4 million in available resources to finance future activities of the business-type funds. The primary contributors to business-type net position are activities found in the City's four major business-type funds: the Electric, Water, Sewer and Solid Waste Funds, which comprise 85.52% of the total business-type net position.

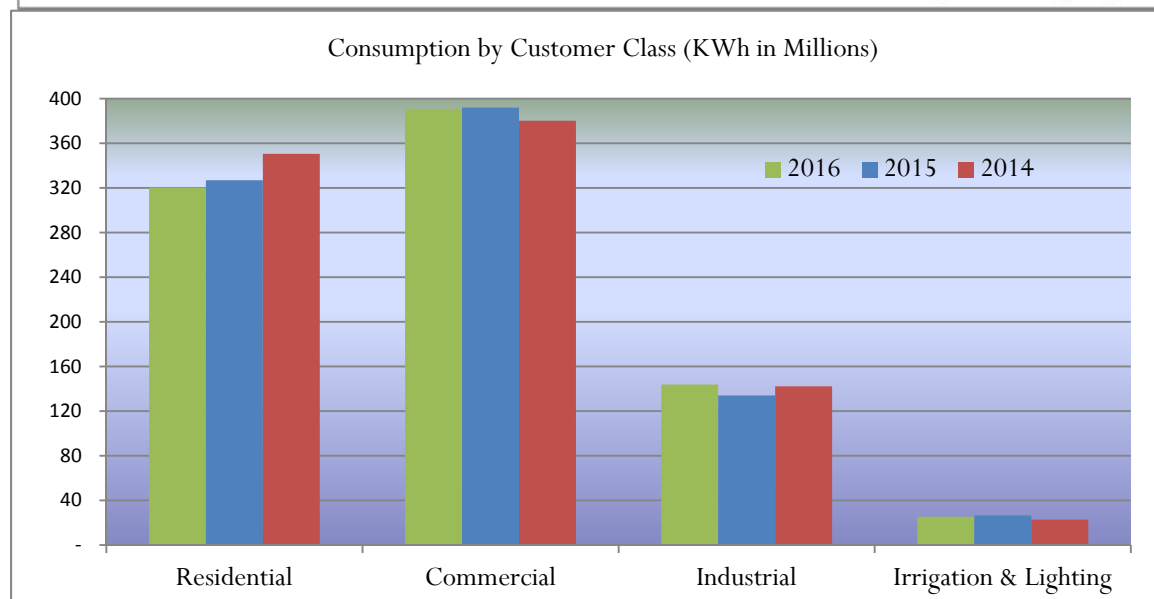
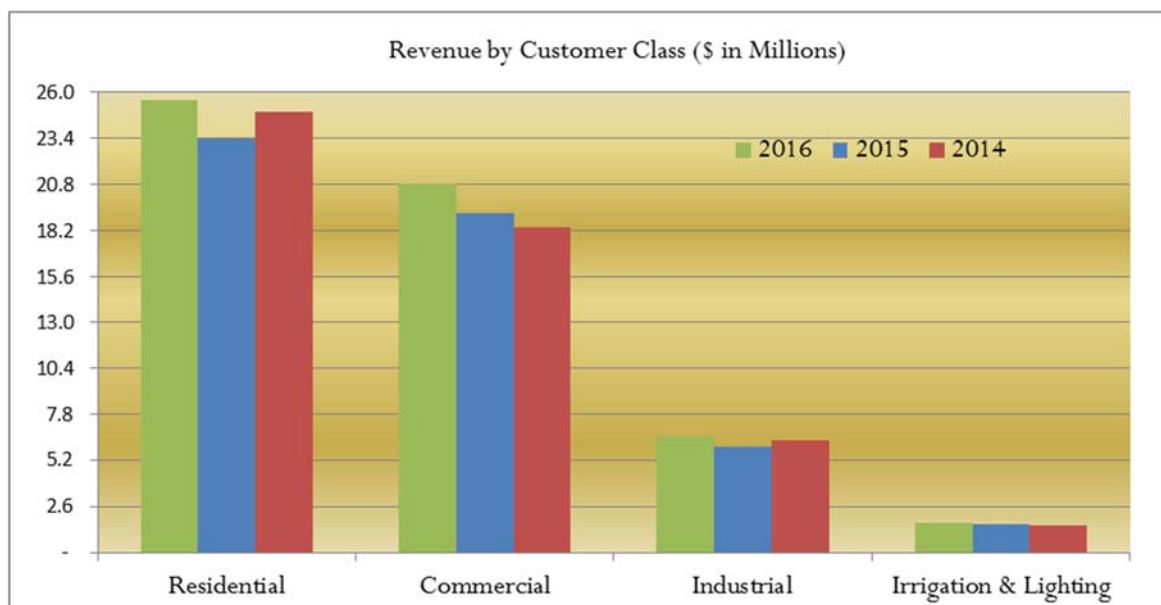
**Electric Fund** activities increased ending net position by \$95K or 0.2% above the previous year-end balance. Annual debt repayment of \$2.8 million and depreciation of \$5.5 million were partially offset by the utility's \$6.9 million investment in capital. In response to forecasted growth in customer and consumption base, \$6.8 million in capital outlays was for projects that constructed, renewed and extended existing distribution infrastructure, as well as improved and expanded substation infrastructure. Capital outlay for equipment, machinery and software totaled over \$70,000.

Operating revenue increased \$5.3 million or 9.4% as a result of a rate increase for all customer classes that took effect on the first day of the year. The last rate change took effect on July 1, 2015. There are no rate changes anticipated for 2017.

System-wide energy consumption increased 0.1% and total customer accounts decreased 0.1% in 2016. When looking at energy consumption changes by customer class, residential consumption decreased by 2.1%, commercial consumption decreased by 0.3% and industrial consumption increased 7.2%. The irrigation and lighting class decreased by 4.6%.

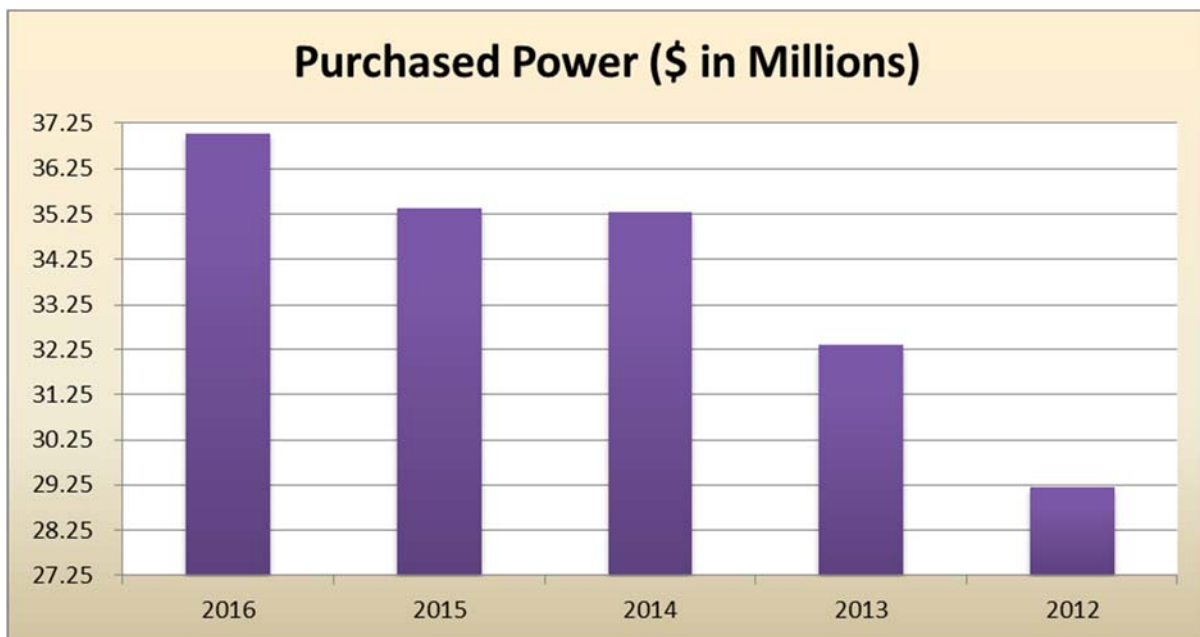
Energy consumption is largely dependent on weather conditions, particularly for residential and commercial customers. Weather was generally milder on an annual basis than for previous years. A trend of decreased energy consumption is expected to continue as a result of the City's energy conservation program investment.

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



Operating expenses increased \$4.2 million or 7.4% over the prior year. The increase was focused around higher wholesale power costs (\$1.7 million) and taxes (\$1.1 million). The utility has been challenged in recent years by the various issues involved in wholesale power purchases. BPA continues to see an increase to the cost of providing power, which then gets passed on to its customers including public power utilities. Richland, in tandem with other regional utilities, is constantly evaluating alternatives for its future wholesale power supply. The tax increase was due to a rate change, adopted by the City Council, which brought the City utility occupation tax rate to 8.5% for all electric utility customer classes. Operating expenses are continually being mitigated by cost containment measures taken during the budget development process.

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



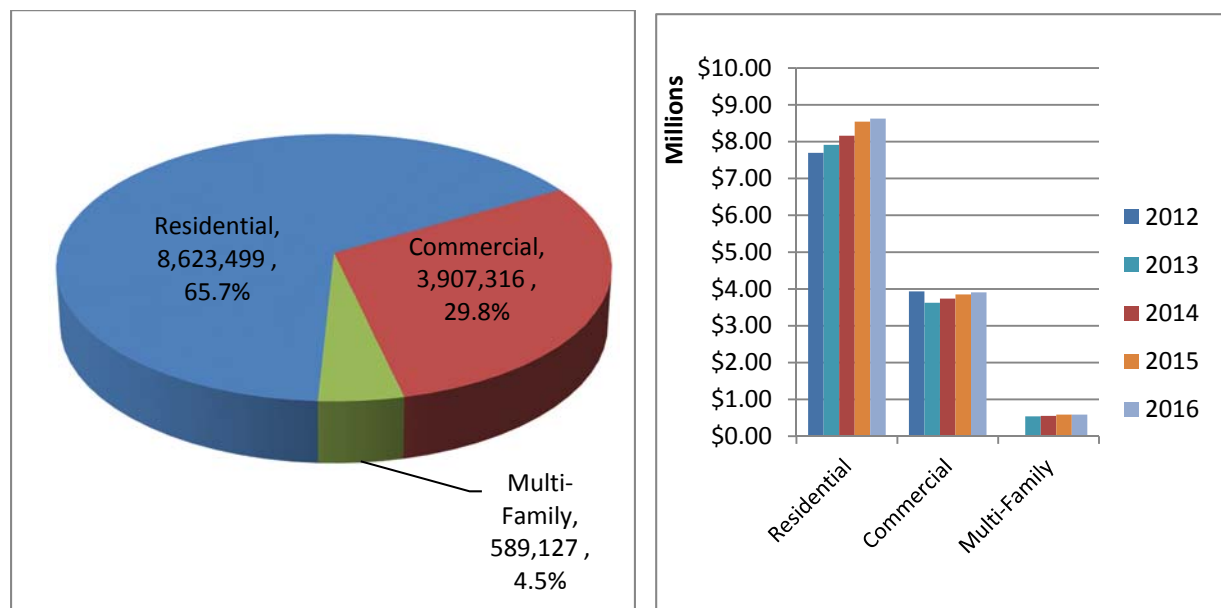
Standard & Poor’s continues to maintain an ‘A+’ credit rating on the utility’s outstanding bonded debt. This is a significant reflection of the utility’s financial strength and stability. The rating also recognizes management’s willingness to maintain adequate reserves, adjust rates and acquire additional capital financing when necessary. Maintaining or improving this credit rating is a key objective in minimizing debt service expense on future revenue bond sales.

**Water Fund** activities generated a net position increase of \$3.5 million in 2016. Operating income was \$2.6 million. When compared to 2015, the water utility experienced a decrease in operating income of \$518,345. The growth in operating revenues of \$249,672 was offset by the increase in operating expenses of \$768,017. Interest expense was \$84K lower and interest revenue was \$45K lower in 2016 than 2015. During 2016, the water utility also received \$90K in one time grant and miscellaneous revenues. In 2016, the utility recognized capital contributions of \$1.4 million. Forty percent of these contributions were generated by private sources, valued at \$558K. This addition reflects the fair market value of capital improvements that were built and funded privately, and subsequently gifted to the City after they were

placed in service. Donated capital is recognized when the development is completed and accepted by the City. Therefore, the timing in regards to recording the acceptance may vary. As compared to 2015 activity, the private donations of developed capital decreased by 53% or \$488K less than recognized in 2015. The remaining capital contribution revenue is tied to new service requests that result in facilities fees charged to the owner. The facilities fee revenue for 2016 increased as compared to 2015 by \$186K, or 28%. The utility transferred out \$20K in support of a multi-year cost sharing effort to install fiber optic cable backbone. Installation of a fiber optic network will benefit the water utility’s communication system. This effort continues in 2017. Finally, it was necessary to make prior period adjustments in 2016 of \$4K. The adjustment resulted in a decrease in our net position to offset changes in previously recorded assets.

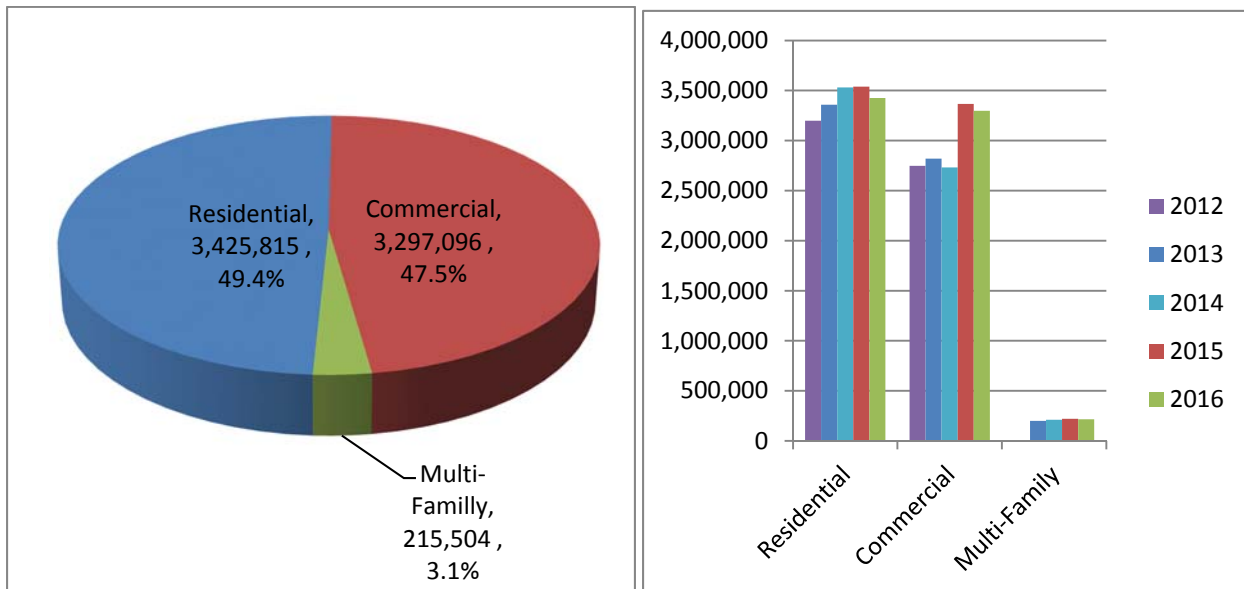
The water utility’s operating revenues increased \$249,672 in 2016. Of this increase, \$136,569 is from potable water sales to metered water services and \$78,569 is due to increases in sales to irrigation district customers. Charges initiated with a service agreement increased \$33,276 and late payment penalties rose by \$1,258.

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





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



In 2016, the operating expenses of the City's water utility increased \$768,017 when compared to 2015. Salaries and related expenses increased approximately 8% or \$176,906. When the effect of labor cost is removed, the remaining maintenance and operations expenses increased \$591,111 or 6% in 2016. Of those increases, a significant expense was due to the abandonment of an effort to establish a new well water source in South Richland to meet future demand. It was determined that the identified site was not viable and the related expenses of \$635,966 were subsequently not capitalized. Other expenses that contributed to the variance were the cost of supplies (\$110,336), utilities \$78,941, outside services \$11,095, and interfund services (\$50,710) expenses.

The cost of supplies, as well as utilities services, are typically outside the control of the utility. The water utility uses a significant amount of electrical power at the treatment plant and pumping stations throughout the City. As implied by the title, other service expenditures are driven by events that require outside input to the utility. For example, repairs to equipment or payment for a license or permit. Often times an event, like the failure of a piece of equipment, necessitates such expenditures. Finally, interfund services consist of work performed by another City department for the benefit of the water utility. Included in this expense is the cost of fleet repairs, maintenance and fuel.

The administrative and general expenses of the City's water utility decreased \$17,404. 2016 saw a reduction in the internal service work the utility supported by (\$26,808). This cost is a function of the administrative, engineering, information systems, warehouse and financial work effort supplied by other City departments in support of the water utility performance. Outside service work for administrative purposes included primarily insurance coverage and consultant agreements. The insurance cost for 2016 decreased by (\$1,785). The cost of consultant services increased by \$8,366. Finally, an increase of \$2,823 in the recognition of bad debt expense completes the change in the administrative and general cost category.



Tax expense increased in 2016 by \$6,144. As with most years, an increase in revenue translated into a larger tax expense.

Depreciation expense increased in 2016 by \$17,185 over the previous year. The addition of assets translates directly to greater depreciation expense.

In 2016, the utility made the following investments in its capital infrastructure:

- The utility remains focused on supporting its Distribution System Repair and Replacement program. Based upon a review of system condition, the utility has planned annual improvements to the existing water system. For 2016, the total spending on these improvements was \$380,915.
- In 2016, the water utility completed conversion away from use of gaseous chlorine to new disinfection technology at our treatment facilities. The conversion was prudent to support risk management and regulatory requirements. The project cost for 2016 was \$433,101.
- The utility began initial work to replace the existing pipeline crossing the Yakima River near the Duportail Street alignment. The existing pipeline is vulnerable to damage during flooding and the proposed new line will be mounted on the Duportail Bridge. The project cost for 2016 was \$72,642.

The capital related debt of the water and sewer utilities comprise a large portion, nearly \$35 million or 37.6%, of all revenue debt and 24.4% of all City long-term borrowing. The water utility debt equals \$23 million, or 16% of all City long-term debt. The debt of the water utility is comprised of bonded debt, Public Works Trust Fund Loans, and State Safe Drinking Water Revolving Fund loans. The Public Works Trust Fund and Safe Drinking Water Revolving Fund loans are issued at a coveted, below-market interest rate.

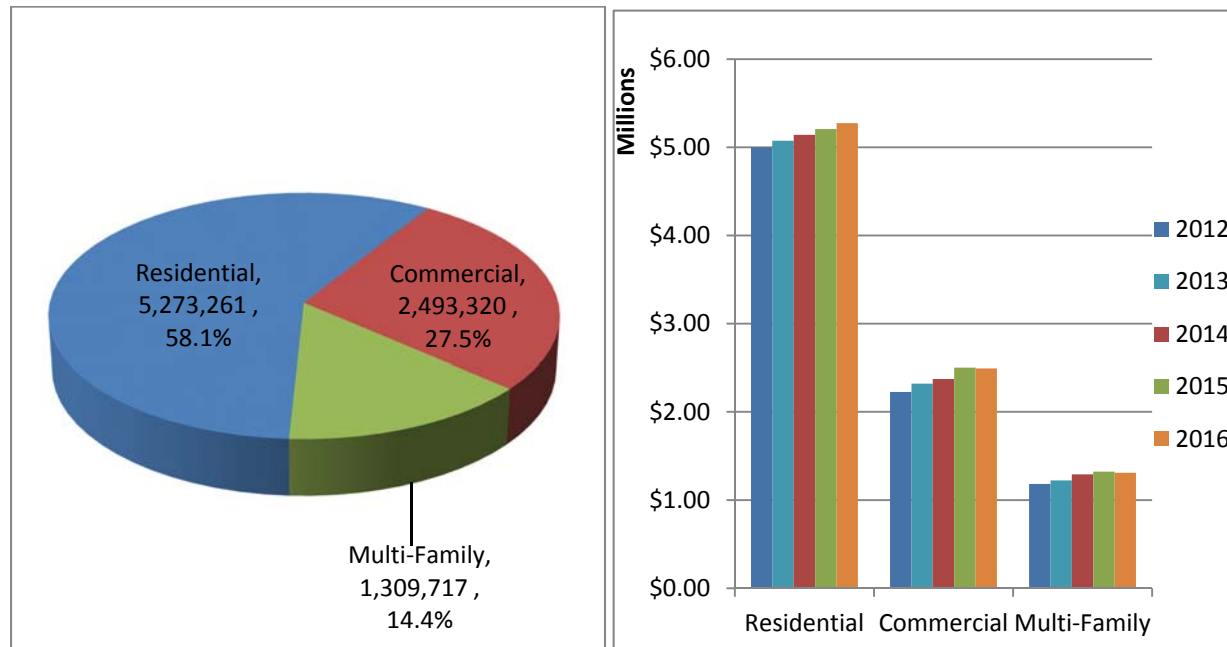
Also, similar to the electric utility, the water utility is required to reserve a portion of its unrestricted net position, related to the downgraded rating of its bond insurers. The water utility has adhered to this requirement and restricted \$1.2 million, as evidenced on the utility's balance sheet. The financial strength of the combined water and sewer utility was assessed by Standard & Poor's and rated AA in July 2014.

**Sewer Fund** activities generated a net position increase of \$1.3 million in 2016. When compared to 2015, the utility recognized a decrease in operating income of \$1.1 million. Total operating income was \$434,384. This fluctuation was the result of growth in operating revenues of \$74,096, offset by an increase in operating expenses of \$1,154,532. Interest earnings, which contribute to the non-operating activity, were less in 2016 as compared to 2015. As a whole, net non-operating expenses decreased as compared to 2015. This reduction in expenses is primarily due to lower interest expense tied to outstanding capital debt. In 2016, the utility recognized capital contributions of \$1.4 million. Of this addition, \$655K reflects the value of a portion of capital improvements that were built and funded by private development, and subsequently gifted to the City once placed in service. Donated capital is recognized as the development is completed and accepted by the City. Therefore, the timing in regards to recording the acceptance may vary. The remaining capital contribution revenue, \$743K, is tied to new utility service requests that result in facilities fee charges to the owner.

The sewer utility's most recent rate change was effective the first billing of 2010. Therefore, any increase in residential revenue is directly tied to customer growth. In 2016, residential revenue increased \$66K, or 1.28%, over the 2015 total. For the commercial and multifamily classes of service, water consumption is a

component in the calculation of the bill. Revenue from both the commercial and multifamily classes of customers stayed relatively level for 2016 when compared to 2015.

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



In 2016, the operating expenses of the City’s sewer utility increased \$1,154,532 when compared to 2015. The maintenance and operations expenses increased \$1.1 million or 31% in 2016. The most significant operating expenses for 2016 were related to the planned maintenance work of replacing membranes and coating the clarifier/digester. This work effort cost \$669K and ensures the wastewater treatment facility will continue to effectively operate without interruption. While the work was necessary, it does not extend the life of the facility and as such was recognized as an operating expense instead of capital outlay. Salaries and related expenses increased \$159K, or 7% in 2016. There was an increase in the cost of services supplied by other City departments of \$130K. The internal service work included repair and maintenance work on and fuel for fleet vehicles, as well as electrical work undertaken at the sewer treatment plant. Supplies and other than City provided service expenses changed slightly from last year’s totals, increasing a combined \$61K when compared to last year. Utility expenses increased \$41K when compared to 2015.

The administrative and general expenses of the City’s sewer utility increased \$78,903. The internal service work the utility supported decreased by \$45K as compared to 2015. This cost is a function of the work effort supplied by other City departments in support of the sewer utility performance. Examples of the internal services included are customer service, information systems, engineering services and City-wide administrative support. Privately supplied service work for administrative purposes included primarily insurance coverage and consultant agreements. For 2016, consultant work increased \$112K, while insurance cost increased by \$8,583. Finally, an increase \$3.7K in the recognition of bad debt expense completes the change in the administrative and general cost category.

Tax expense increased in 2016 by \$13,596, due to an increase in taxable revenues.

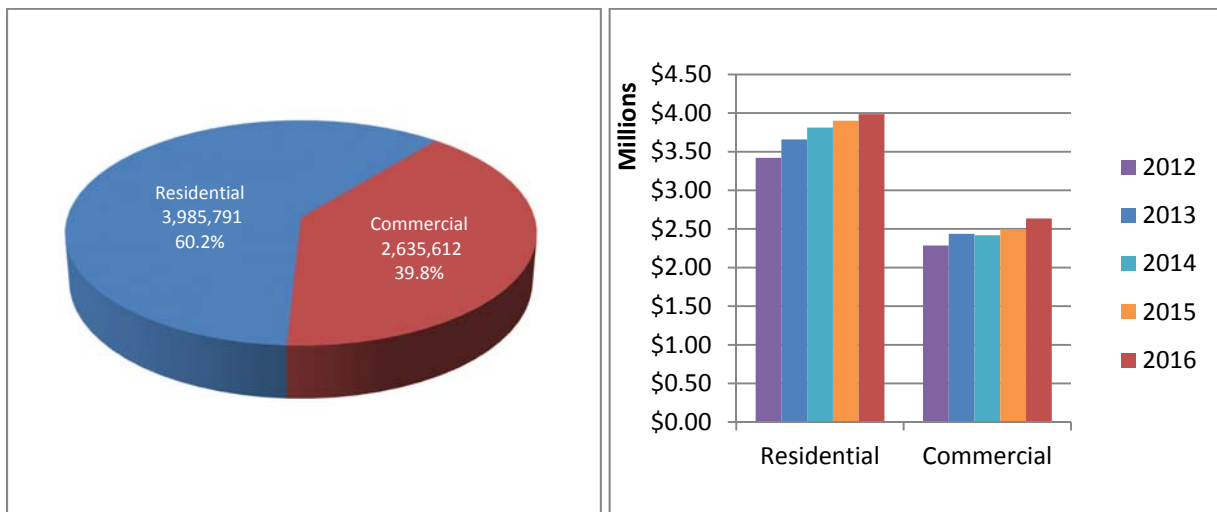
In 2016, the utility made a significant investment in its capital infrastructure:

- Construction was undertaken to improve the solids handling and dewatering process equipment at the Wastewater Treatment Facility. Total budgeted cost of the project is \$3.8 million. In prior years, the utility recorded \$793,952 in construction work in progress toward this project. In 2016, an additional \$2.6 million was invested toward this project. The project funding is half rate revenues and half facility fees.

The sewer utility capital debt equals \$12 million, or 8.4% of all City long-term debt. The debt of the utility is comprised of bonded debt and an American Recovery and Reinvestment Act loan. The sewer utility has complied with bond covenant requirements and restricted \$777K toward a debt service reserve account. The financial strength of the combined water and sewer utility was assessed by Standard & Poor’s and rated AA in July 2014.

**Solid Waste Fund** activities generated a net position increase of \$1.7 million in 2016. The utility reported an operating income of \$603,245 for 2016, an improvement of \$97,323 over the previous year. Included in this income improvement is growth of operating revenue of \$285,990 over the 2015 operating revenue. Residential and commercial collection revenue increased by \$226,607, or 3.5%, landfill disposal revenue increased by \$27,299, or 2.9%, and drop box revenues increased by \$46,196, or 5.3% when compared to 2015. The remaining difference in operating revenue was related to other smaller revenue sources. The change for these small sources between 2016 and 2015 equaled a decrease of (\$14,112). Operating income was also influenced by operating expense. For 2016, operating expenses grew by \$188,667 over the 2015 total. Non-operating expenses for 2016 totaled (\$836,088). The most significant factor in this calculation was due to change in estimates for closure/post closure care costs and changes in engineering calculation of the remaining volume in the current landfill cell. Finally, closure related revenues recognized for 2016 were \$238,144.

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



Operating expenses increased \$188,667 when compared to 2015. Labor costs increased \$110,799 or 4.3%. Supplies costs increased \$14K while external services costs increased \$422,029. This reflects \$272K of work effort dedicated to ground water assessment and improvement of the disposal capacity. Internal service work decreased (\$398,892). Among the many types of service expenses for the solid waste utility, the most significant fluctuation was the decrease in the costs tied to repair, maintenance and fuel costs for the utility's fleet (\$436K). As the utility continues to replace its aging fleet, repair costs should level out. Taxes increased \$35K as a result of improvements in revenue. Bad debt expense for the year of 2016 increased \$2,527 as compared to 2015. Finally, depreciation expense increased in 2016 by \$3,150.

Net non-operating expenses decreased in 2016 as compared to the previous year by \$1.3 million. The improvement is driven solely by changes to the landfill postclosure/closure liability. The closure/post closure care expense accrual represents the cost to provide care in the coming years. In 2016, 58,653 tons of waste was added to the landfill. This addition equates to an expense accrual of \$232,713. Also during 2016, the estimate of post closure care cost per year was reevaluated. The resulting decrease to our annual estimated expense resulted in an additional adjustment of (\$526,463) in expense and associated liability. The remaining volume in the current pit capacity was also measured which resulted in an adjustment of (\$495,942). Volume fluctuates due to compression, absorption and evaporation. In the future, when the postclosure care is provided, the liability will be reduced.

The long term debt of the solid waste Fund includes \$385,000 of LTGO bonds and the estimated liability for landfill closure/postclosure care, in the amount of \$5.5 million. The combined total of this debt is the equivalent of 4.1% of all City long-term capital debt. The utility has no plans to issue any additional long-term debt in the coming year.

## **ECONOMIC OUTLOOK**

Richland's economy is strong, with plenty of activity in new construction and retail leading to increased sales and property tax revenues. Unemployment decreased slightly from the end of 2014 through the end of 2016. Other economic factors, such as housing prices and population have both increased. Early 2017 revenue indicators are running at or slightly above 2016 levels.

The City expects continued modest growth through 2016 and unemployment has been in decline since the end of 2012. Work on the Hanford nuclear cleanup north of Richland continues and contributes to the employment stability of the area. Loosening of commercial financing in the last several years is leading to increased construction, including a boom in Richland's retail centers. The Queensgate area continues to be an area of strong growth. Several new restaurants have been completed in the past year, in both the Queensgate area, and at Columbia Point. Current construction of a boutique hotel at Columbia Point will complement other hotels and dining options in that area of the city. Home building remains strong throughout north and south Richland, and construction is under way in the Badger Mountain South area. Central Richland remains buoyed by investments made by Kadlec Regional Medical Center, which completed a four-story expansion of its River Pavilion patient tower and a multi-level parking structure in 2016. Columbia Basin College is also investing in a large medical science center that will open in 2017. Richland's Local Revitalization Financing efforts continue to pay off, resulting in robust construction and



expansion in the Horn Rapids Industrial Park, including the construction of Logan Road, which is currently under way and will increase access for more private development. Richland will continue to recruit primary sector job growth, primarily focused in energy, technology and agricultural processing, which in turn further diversifies the local economy from reliance on federal spending.





# **BASIC FINANCIAL STATEMENTS**

## **Government-wide Financial Statements**

CITY OF RICHLAND, WASHINGTON  
 Comprehensive Annual Financial Report  
 Statement of Net Position  
 December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Richland Public Facilities District
<b>ASSETS</b>				
<i>Current:</i>				
Cash and cash equivalents	\$ 19,216,304	\$ 12,080,771	\$ 31,297,075	\$ 474,299
Deposits with third parties	152,025	11,575	163,600	
Investments	27,470,021	13,436,345	40,906,366	
Receivables:				
Taxes	404,273		404,273	
Customer accounts, net	1,075,479	8,741,213	9,816,692	17,265
Due from other governments	5,035,234	525,980	5,561,214	99,907
Assessments	545,423		545,423	
Notes and contracts	2,629,079	100,000	2,729,079	
Internal balances	(570,554)	570,554		
Prepaid items	83,846	4,963	88,809	25,188
Inventory	199,331	4,091,995	4,291,326	34,502
Total current assets	56,240,461	39,563,396	95,803,857	651,161
<i>Noncurrent:</i>				
Restricted cash and cash equivalents		19,701,081	19,701,081	329,529
Restricted investments		14,745,230	14,745,230	
Investment in joint ventures	2,840,108		2,840,108	
Land held for resale	13,523,439		13,523,439	
Net pension asset	3,346,851	571,508	3,918,359	
Capital:				
Land	7,271,306	8,443,423	15,714,729	
Depreciable assets (net)	40,280,671	30,642,409	70,923,080	7,949,233
Infrastructure	59,730,257	210,232,316	269,962,573	2,519,096
Construction in progress	13,140,845	9,381,097	22,521,942	
Total capital assets (net)	120,423,079	258,699,245	379,122,324	10,468,329
Total noncurrent assets	140,133,477	293,717,064	433,850,541	10,797,858
Total assets	196,373,938	333,280,460	529,654,398	11,449,019
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on debt refunding	476,105	749,389	1,225,494	61,248
Pension	3,793,464	2,423,848	6,217,312	
Total deferred outflows of resources	4,269,569	3,173,237	7,442,806	61,248



	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Richland Public Facilities District
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable and accrued expenses	2,869,418	6,369,891	9,239,309	101,594
Payable to other governments	529,558	73,428	602,986	
Leases payable-current		79,197	79,197	
Deposits payable	262,419	782,959	1,045,378	9,646
Compensated absences-current	1,755,303	1,104,636	2,859,939	19,124
Claims and judgments-current	3,768,962		3,768,962	
Notes and contracts payable-current	93,362	1,414,558	1,507,920	
General obligation bonds payable-current	2,845,000	300,000	3,145,000	240,000
Revenue bonds payable-current		5,910,001	5,910,001	
<b>Total current liabilities</b>	<b>12,124,022</b>	<b>16,034,670</b>	<b>28,158,692</b>	<b>370,364</b>
<i>Noncurrent liabilities:</i>				
Leases payable		120,805	120,805	
Compensated absences	1,755,303	1,104,637	2,859,940	
Notes and contracts payable	1,257,982	8,824,380	10,082,362	
General obligation bonds payable	31,100,512	6,091,328	37,191,840	4,960,095
Revenue bonds payable		93,027,841	93,027,841	
Unearned revenue	688,608	2,101,250	2,789,858	44,408
Net pension liability	17,200,771	12,749,593	29,950,364	
Net OPEB obligation	11,714,722		11,714,722	
Landfill closure liability		5,515,999	5,515,999	
<b>Total noncurrent liabilities</b>	<b>63,717,898</b>	<b>129,535,833</b>	<b>193,253,731</b>	<b>5,004,503</b>
<b>Total liabilities</b>	<b>75,841,920</b>	<b>145,570,503</b>	<b>221,412,423</b>	<b>5,374,867</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred transfer of service concession arrangement capital assets	1,188,500		1,188,500	
Pension	560,178	315,205	875,383	
<b>Total deferred inflows of resources</b>	<b>1,748,678</b>	<b>315,205</b>	<b>2,063,883</b>	
<b>NET POSITION</b>				
Net investment in capital assets	92,515,556	158,307,907	250,823,463	5,329,482
Restricted for:				
Pensions		648,424	648,424	
Debt service	329,624	8,620,003	8,949,627	529,400
Capital improvements	4,064,219	6,615,492	10,679,711	
Public Safety	1,638,950		1,638,950	
Economic Environment	21,640,530		21,640,530	
Other Purposes	235,083		235,083	
Unrestricted	2,628,947	16,376,163	19,005,110	276,518
<b>Total net position</b>	<b>\$ 123,052,909</b>	<b>\$ 190,567,989</b>	<b>\$ 313,620,898</b>	<b>\$ 6,135,400</b>

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

CITY OF RICHLAND, WASHINGTON  
 Comprehensive Annual Financial Report  
 Statement of Activities  
 For the Year Ended December 31, 2016

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			COMPONENT UNIT Richland Public Facilities District
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<i>Primary Government:</i>								
Governmental Activities:								
Judicial	\$ 736,826	\$ 559,077	\$	\$	\$ (177,749)	\$	\$ (177,749)	
General government	15,442,282	7,444,746			(7,997,536)		(7,997,536)	
Public safety	26,983,227	3,989,347	448,981		(22,544,899)		(22,544,899)	
Physical environment	246,912	49,105	24,611		(173,196)		(173,196)	
Transportation	6,534,382	782,394		2,880,961	(2,871,027)		(2,871,027)	
Health and human services	14,097	41,360	457,324		484,587		484,587	
Economic environment	5,594,614	4,095,516	895,863		(603,235)		(603,235)	
Culture and recreation	8,005,109	1,401,316		462,663	(6,141,130)		(6,141,130)	
Interest on long-term debt	1,229,272				(1,229,272)		(1,229,272)	
Total governmental activities	64,786,721	18,362,861	1,826,779	3,343,624	(41,253,457)		(41,253,457)	
Business-Type Activities:								
Electric	59,375,689	63,520,869		853,989		4,999,169	4,999,169	
Water	10,989,873	14,691,287		1,487,374		5,188,788	5,188,788	
Sewer	8,265,826	9,269,282		1,397,945		2,401,401	2,401,401	
Solid waste	5,812,417	8,628,477		238,144		3,054,204	3,054,204	
Stormwater	1,306,497	2,448,339		292,156		1,433,998	1,433,998	
Golf course	1,717,876	1,743,990				26,114	26,114	
Medical services	3,602,718	3,857,186	68,092			322,560	322,560	
Broadband	174,712	150,025				(24,687)	(24,687)	
Total business-type activities	91,245,608	104,309,455	68,092	4,269,608		17,401,547	17,401,547	
Total primary government	\$ 156,032,329	\$ 122,672,316	\$ 1,894,871	\$ 7,613,232	\$ (41,253,457)	\$ 17,401,547	\$ (23,851,910)	
<i>Component Unit:</i>								
Richland Public Facilities District	\$ 1,905,967	516,803	\$ 300,612					\$ (1,088,552)
	\$ 1,905,967	\$ 516,803	\$ 300,612	\$				(1,088,552)
GENERAL REVENUES:								
Property taxes					16,889,650		16,889,650	
Sales taxes					14,434,778		14,434,778	
Utility Occupation taxes (non-City utilities)					3,383,237		3,383,237	
Other taxes					6,611,152		6,611,152	534,526
Investment earnings					331,460	342,502	673,962	6,887
Gain on disposition of capital assets					6,681		6,681	
Gain on disposition of land held for sale					441,158		441,158	
Insurance recoveries					10,000		10,000	
Miscellaneous					5,517,170		5,517,170	
Transfers					8,196,381	(8,196,381)		
Total general revenues and transfers					55,821,667	(7,853,879)	47,967,788	541,413
Change in net position					14,568,210	9,547,668	24,115,878	(547,139)
Net position-beginning					94,554,186	181,024,276	275,578,462	6,682,539
Prior period adjustments					13,930,513	(3,955)	13,926,558	
Net position-ending					\$ 123,052,909	\$ 190,567,989	\$ 313,620,898	\$ 6,135,400

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



# BASIC FINANCIAL STATEMENTS

## Fund Financial Statements

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

	General Fund	Streets Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,082,625	\$ 441,632	\$ 12,035,254	\$ 14,559,511
Deposits with third parties	19,425	2,000	26,600	48,025
Investments	15,328,214		4,957,641	20,285,855
Receivables:				
Taxes	361,991		42,282	404,273
Customer accounts	897,782	36,966	115,205	1,049,953
Due from other funds			3,101	3,101
Due from other governments	2,396,352	86,665	2,552,217	5,035,234
Assessments			545,423	545,423
Notes and contracts			2,629,079	2,629,079
Prepaid items	7,393	132	225	7,750
Inventory		117,685		117,685
Total assets	<u>\$ 21,093,782</u>	<u>\$ 685,080</u>	<u>\$ 22,907,027</u>	<u>\$ 44,685,889</u>
<b>LIABILITIES</b>				
<i>Liabilities:</i>				
Accounts payable and accrued expenses	\$ 1,300,522	\$ 127,917	\$ 1,187,728	\$ 2,616,167
Payable to other governments	408,567		120,991	529,558
Due to other funds			507,779	507,779
Interfund loans payable			818,547	818,547
Deposits payable	1,000		261,419	262,419
Unearned revenue-other			688,608	688,608
Total liabilities	<u>1,710,089</u>	<u>127,917</u>	<u>3,585,072</u>	<u>5,423,078</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	220,070		27,413	247,483
Unavailable revenue-unbilled LID assessments			545,423	545,423
Unavailable revenue-contractual agreements			69,509	69,509
Total deferred inflows of resources	<u>220,070</u>		<u>642,345</u>	<u>862,415</u>
<b>FUND BALANCES (DEFICITS):</b>				
Nonspendable:				
Inventory, prepaid items and noncurrent receivables	7,393	117,817	225	125,435
Contractually maintained deposits	19,425	2,000		21,425
Restricted for:				
Debt Service			329,624	329,624
Capital Improvements	166,932		3,897,287	4,064,219
Transportation				
Public Safety	52,354		1,586,596	1,638,950
Economic Environment	18,578		8,098,513	8,117,091
Other Purposes	235,083			235,083
Committed for:				
Debt Service			598,524	598,524
Capital Improvements	452,951		1,622,212	2,075,163
Public Safety	205,363			205,363
Economic Environment	92,684		2,382,845	2,475,529
Assigned to:				
Debt Service			749,840	749,840
Public Safety	107,808			107,808
Transportation		437,346		437,346
Unassigned	17,805,052		(586,056)	17,218,996
Total fund balances	<u>19,163,623</u>	<u>557,163</u>	<u>18,679,610</u>	<u>38,400,396</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,093,782</u>	<u>\$ 685,080</u>	<u>\$ 22,907,027</u>	<u>\$ 44,685,889</u>

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

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Reconciliation of Governmental Funds Balance to**  
**the Net Position of Governmental Activities**  
**December 31, 2016**

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<b>Total fund balances - governmental funds</b>		\$ 38,400,396
<b>Amount reported as Net Position for governmental activities in the Statement of Net Position differs because:</b>		
Capital assets used in governmental activities are not financial resources and are not reported in the fund. They are reported in the government-wide statements, net of accumulated depreciation:		120,423,079
The focus of governmental funds is on short-term financing. Long-term assets are deferred or not reported in the funds. They consist of the following:		
Investment in joint venture	\$ 2,840,108	
Land held for resale	13,523,439	
Net pension asset	3,346,851	
Notes and contracts and taxes receivable offset by deferred inflows of resources	<u>862,415</u>	20,572,813
Deferred outflow of resources related to pensions		3,793,464
Deferred outflow of resources related to debt refunding		476,105
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. They consist of the following:		
General obligation bonds	(32,265,000)	
Net premium/discount	(1,680,512)	
Other general government debt	(1,328,964)	
Net pension liability	(17,200,771)	
Net fire/police OPEB obligation	(6,350,781)	
Compensated absences	(3,510,606)	
Accrued interest payable	<u>(105,526)</u>	(62,442,160)
Deferred inflow of resources (ORV Park assets) related to service concession arrangement		(1,188,500)
Deferred inflow of resources related to pensions		(560,178)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in the governmental and business-type activities in the statement of net position based on which activity they predominantly serve. For governmental activities they consist of the following:		
Net position	2,822,599	
Internal payable representing charges in excess of cost to business-type activities: prior years	674,167	
Internal payable representing charges in excess of cost to business-type activities: current year	<u>81,124</u>	3,577,890
Net position of governmental activities		<u>\$ 123,052,909</u>

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

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	General Fund	Streets Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 39,725,561	\$ 649,094	\$ 8,187,655	\$ 48,562,310
Licenses and permits	2,840,787			2,840,787
Intergovernmental	1,161,440	1,199,689	4,079,777	6,440,906
Charges for goods and services	6,926,328	582,748	4,628,051	12,137,127
Fines and forfeits	607,288			607,288
Investment earnings	145,795	3,657	113,353	262,805
Rents and leases	306,084	33,317	1,176,380	1,515,781
Miscellaneous	430,597	47,845	398,264	876,706
Total revenues	<u>52,143,880</u>	<u>2,516,350</u>	<u>18,583,480</u>	<u>73,243,710</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Judicial	736,826			736,826
General government	13,705,868		337,665	14,043,533
Public safety	19,720,773		4,764,016	24,484,789
Physical environment	246,912			246,912
Transportation		2,401,367	1,701,914	4,103,281
Health and human services	14,097			14,097
Economic environment	2,482,601		2,309,540	4,792,141
Culture and recreation	6,507,549		99,297	6,606,846
<i>Debt service:</i>				
Principal			3,486,943	3,486,943
Interest			1,339,549	1,339,549
Other			2,104	2,104
<i>Capital Outlay:</i>				
General government	85,794		598,039	683,833
Public safety	32,843		13,706	46,549
Transportation			4,703,783	4,703,783
Economic environment			443,802	443,802
Culture and recreation	29,237		795,465	824,702
Total expenditures	<u>43,562,500</u>	<u>2,401,367</u>	<u>20,595,823</u>	<u>66,559,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,581,380</u>	<u>114,983</u>	<u>(2,012,343)</u>	<u>6,684,020</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	335,611		4,471,167	4,806,778
Transfers out	(2,212,789)	(573,381)	(2,797,861)	(5,584,031)
Debt issued			294,318	294,318
Disposition of capital assets	3,522	3,159	502,203	508,884
Insurance recoveries	10,000			10,000
Total other financing sources (uses)	<u>(1,863,656)</u>	<u>(570,222)</u>	<u>2,469,827</u>	<u>35,949</u>
Net change in fund balance	6,717,724	(455,239)	457,484	6,719,969
Fund balances-beginning	12,526,143	1,012,402	18,160,515	31,699,060
Prior period adjustment	(80,244)		61,611	(18,633)
Fund balances-ending	<u>\$ 19,163,623</u>	<u>\$ 557,163</u>	<u>\$ 18,679,610</u>	<u>\$ 38,400,396</u>

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

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Reconciliation of the Change in Governmental Fund Balances to**  
**the Change in Net Position of Governmental Activities**  
**For the Year Ended December 31, 2016**

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**Net changes in fund balances of governmental funds:** \$ 6,719,969

**Amount reported for governmental activities in the Statement of Activities differs because:**

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

Capital outlays	\$ 6,702,669	
Depreciation	(5,477,761)	
Disposal of capital assets	(397,852)	
Donated capital assets received	867,570	
Net effect of capital transactions	<u>1,694,626</u>	1,694,626

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

General obligation debt issued	(294,318)	
Principal repayment	3,486,943	
Amortization of premiums/discounts	134,735	
Net effect of long-term debt transactions	<u>3,327,360</u>	3,327,360

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

Revenues:

Donated land held for sale	4,649,600	
Change in earned revenue reported as deferred in the funds	463,630	
	<u>5,113,230</u>	5,113,230

Expenses:

Change in the City's investment in joint venture	(273,106)	
Change in the City's investment in land held for sale	(61,045)	
Change in the City's net pension obligation and related deferred inflows/outflows	690,074	
Change in accrued interest payable	(22,354)	
Change in net fire/police OPEB obligation	(2,156,603)	
Change in compensated absences	(44,650)	
	<u>(1,867,684)</u>	(1,867,684)

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

Change in net position	(500,415)	
Internal payable representing charges in excess of cost to governmental activities-current year	81,124	
	<u>(419,291)</u>	(419,291)

Change in net position of governmental activities \$ 14,568,210

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

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2016**

	Original Budget	Final Amended Budget	Actual	Variance Over/ (Under)
<b>REVENUES</b>				
Taxes	\$ 37,217,745	\$ 37,217,745	\$ 39,725,561	\$ 2,507,816
Licenses and permits	2,437,275	2,437,275	2,840,787	403,512
Intergovernmental	1,158,167	1,173,281	1,161,440	(11,841)
Charges for goods and services	7,452,463	7,452,463	6,926,328	(526,135)
Fines and forfeits	849,350	849,350	607,288	(242,062)
Investment earnings	108,000	108,000	145,795	37,795
Rents and leases	191,558	191,558	306,084	114,526
Miscellaneous	162,350	281,850	430,597	148,747
<b>Total revenues</b>	<b>49,576,908</b>	<b>49,711,522</b>	<b>52,143,880</b>	<b>2,432,358</b>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Judicial	763,848	763,848	736,826	(27,022)
General government	15,116,476	15,886,321	13,705,868	(2,180,453)
Public safety	20,561,606	20,671,486	19,720,773	(950,713)
Physical environment	257,764	257,764	246,912	(10,852)
Health and human services	14,000	14,000	14,097	97
Economic environment	2,673,273	2,851,071	2,482,601	(368,470)
Culture and recreation	7,075,925	7,408,088	6,507,549	(900,539)
<i>Capital Outlay:</i>				
General government	328,867	428,867	85,794	(343,073)
Public safety	74,000	90,911	32,843	(58,068)
Culture and recreation		83,481	29,237	(54,244)
<b>Total expenditures</b>	<b>46,865,759</b>	<b>48,455,837</b>	<b>43,562,500</b>	<b>(4,893,337)</b>
Excess (deficiency) of revenues over (under) expenditures	2,711,149	1,255,685	8,581,380	7,325,695
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	334,769	334,769	335,611	842
Transfers out	(2,202,789)	(2,212,789)	(2,212,789)	
Disposition of capital assets			3,522	3,522
Insurance recoveries			10,000	
<b>Total other financing sources (uses)</b>	<b>(1,868,020)</b>	<b>(1,878,020)</b>	<b>(1,863,656)</b>	<b>4,364</b>
Net change in fund balance	843,129	(622,335)	6,717,724	7,330,059
Fund balances-beginning	12,526,143	12,526,143	12,526,143	
Prior period adjustment			(80,244)	(80,244)
<b>Fund balances-ending</b>	<b>\$ 13,369,272</b>	<b>\$ 11,903,808</b>	<b>\$ 19,163,623</b>	<b>\$ 7,249,815</b>

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



**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual**  
**Streets Fund**  
**For the Year Ended December 31, 2016**

	Original Budget	Final Amended Budget	Actual	Variance Over/ (Under)
<b>REVENUES</b>				
Taxes	\$ 679,080	\$ 679,080	\$ 649,094	\$ (29,986)
Intergovernmental	1,133,486	1,133,486	1,199,689	66,203
Charges for goods and services	557,000	557,000	582,748	25,748
Fines and forfeits				
Investment earnings	5,000	5,000	3,657	(1,343)
Rents and leases	33,220	33,220	33,317	97
Miscellaneous	2,750	16,743	47,845	31,102
Total revenues	<u>2,410,536</u>	<u>2,424,529</u>	<u>2,516,350</u>	<u>91,821</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Transportation	2,437,930	2,421,763	2,401,367	(20,396)
<i>Capital Outlay:</i>				
Transportation				
Total expenditures	<u>2,437,930</u>	<u>2,421,763</u>	<u>2,401,367</u>	<u>(20,396)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,394)</u>	<u>2,766</u>	<u>114,983</u>	<u>112,217</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out	(537,000)	(573,391)	(573,381)	10
Disposition of capital assets			3,159	3,159
Total other financing sources (uses)	<u>(537,000)</u>	<u>(573,391)</u>	<u>(570,222)</u>	<u>3,169</u>
Net change in fund balance	(564,394)	(570,625)	(455,239)	115,386
Fund balances-beginning	1,012,402	1,012,402	1,012,402	
Fund balances-ending	<u>\$ 448,008</u>	<u>\$ 441,777</u>	<u>\$ 557,163</u>	<u>\$ 115,386</u>

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

CITY OF RICHLAND, WASHINGTON  
 Comprehensive Annual Financial Report  
 Statement of Net Position  
 Proprietary Funds  
 December 31, 2016

	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>							
<i>Current:</i>							
Cash and cash equivalents	\$ 6,079,062	\$ 15,795	\$ 5,846	\$ 1,932,949	\$ 2,327,468	\$ 10,361,120	\$ 6,376,444
Deposits with third parties	1,900	5,775	2,650	1,050		11,375	104,200
Investments		4,478,656	3,445,110	21,631	2,025,928	9,971,325	10,649,186
Receivables:							
Customer accounts (net)	6,058,338	735,147	646,108	736,314	565,306	8,741,213	25,526
Due from other funds							599,678
Due from other governments		15,468			502,512	517,980	8,000
Interfund loans		3,890				3,890	2,815
Notes and contracts					100,000	100,000	
Prepaid items		1,382	1,581			2,963	78,096
Inventory	3,885,909	133,051	1,098		63,704	4,083,762	89,879
Total current assets	16,025,209	5,389,164	4,102,393	2,691,944	5,584,918	33,793,628	17,933,824
<i>Noncurrent:</i>							
Restricted cash and cash equivalents	14,819,679	2,245,166	1,314,445	1,221,062	100,729	19,701,081	
Restricted investments	7,978,170	2,790,459	1,427,565	2,450,603	98,433	14,745,230	
Net pension asset					571,508	571,508	
Receivables:							
Advances to other funds		27,230		793,352		820,582	
Capital:							
Land	469,284	5,604		80,500	7,888,035	8,443,423	
Depreciable assets (net)	2,605,162	3,260,249	11,531,761	2,896,497	1,712,056	22,005,725	8,636,684
Infrastructure	84,565,846	72,269,704	43,465,545		9,931,221	210,232,316	
Construction in progress	5,673,251	276,930	3,430,916			9,381,097	
Total capital assets (net)	93,313,543	75,812,487	58,428,222	2,976,997	19,531,312	250,062,561	8,636,684
Total noncurrent assets	116,111,392	80,875,342	61,170,232	7,442,014	20,301,982	285,900,962	8,636,684
Total assets	132,136,601	86,264,506	65,272,625	10,133,958	25,886,900	319,694,590	26,570,508
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred amount on debt refunding	306,415	220,130	201,231	10,912	10,701	749,389	
Pension	891,402	258,084	251,082	279,059	310,805	1,990,432	433,416
Deferred charges - other							
Total deferred outflows of resources	1,197,817	478,214	452,313	289,971	321,506	2,739,821	433,416

	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>LIABILITIES</b>							
<i>Current liabilities:</i>							
Accounts payable and accrued expenses	5,114,028	323,002	410,093	160,576	218,498	6,226,197	291,419
Payable to other governments		33,813		34,319	5,296	73,428	
Due to other funds					70,000	70,000	25,000
Interfund loans payable					3,890	3,890	5,424
Leases payable-current							79,197
Deposits payable		112,884	6,202		663,873	782,959	
Compensated absences-current	363,656	163,268	106,062	103,716	119,254	855,956	248,680
Claims and judgments-current							3,768,962
Notes and contracts payable-current		1,216,491	67,989		96,819	1,381,299	
General obligation bonds payable-current				125,000	175,000	300,000	
Revenue bonds payable-current	2,855,000	1,628,610	1,316,391		110,000	5,910,001	
<b>Total current liabilities</b>	<b>8,332,684</b>	<b>3,478,068</b>	<b>1,906,737</b>	<b>423,611</b>	<b>1,462,630</b>	<b>15,603,730</b>	<b>4,418,682</b>
<i>Noncurrent liabilities:</i>							
Interfund loans payable					27,230	27,230	
Leases payable							120,805
Compensated absences	363,656	163,268	106,062	103,716	119,255	855,957	248,680
Notes and contracts payable		7,280,099	1,139,511		432,605	8,852,215	
General obligation bonds payable				271,920	5,819,408	6,091,328	
Revenue bonds payable	68,065,568	13,869,553	10,071,475		1,021,245	93,027,841	
Unearned revenue	1,836,335		156,000		108,915	2,101,250	
Net pension liability	5,296,995	1,525,544	1,477,871	1,655,771	224,855	10,181,036	2,568,557
Net OPEB obligation							5,363,941
Landfill closure liability				5,515,999		5,515,999	
<b>Total noncurrent liabilities</b>	<b>75,562,554</b>	<b>22,838,464</b>	<b>12,950,919</b>	<b>7,547,406</b>	<b>7,753,513</b>	<b>126,652,856</b>	<b>8,301,983</b>
<b>Total liabilities</b>	<b>83,895,238</b>	<b>26,316,532</b>	<b>14,857,656</b>	<b>7,971,017</b>	<b>9,216,143</b>	<b>142,256,586</b>	<b>12,720,665</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension	123,477	31,746	27,766	37,421	38,201	258,611	56,594
Deferred charges - other							
<b>Total deferred inflows of resources</b>	<b>123,477</b>	<b>31,746</b>	<b>27,766</b>	<b>37,421</b>	<b>38,201</b>	<b>258,611</b>	<b>56,594</b>
<b>NET POSITION</b>							
Net investment in capital assets	37,501,817	51,996,056	45,879,275	2,590,989	11,903,088	149,871,225	8,436,682
Restricted for:							
Pensions					648,424	648,424	
Debt service	5,766,854	1,892,155	837,476		123,518	8,620,003	
Capital improvements	1,938,325	2,875,228	1,748,534		53,405	6,615,492	
Unrestricted	4,108,707	3,631,003	2,374,231	(175,498)	4,225,627	14,164,070	5,789,983
<b>Total net position</b>	<b>\$ 49,315,703</b>	<b>\$ 60,394,442</b>	<b>\$ 50,839,516</b>	<b>\$ 2,415,491</b>	<b>\$ 16,954,062</b>	<b>\$ 179,919,214</b>	<b>\$ 14,226,665</b>
Enterprise funds total net position						\$ 179,919,214	
Net position of internal service funds predominantly serving business-type activities						11,404,066	
Internal payable representing charges in excess of cost to governmental activities-prior years						(674,167)	
Internal payable representing charges in excess of cost to governmental activities-current year						(81,124)	
<b>Net position of business-type activities on government-wide Statement of Net Position</b>						<b>\$ 190,567,989</b>	

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

CITY OF RICHLAND, WASHINGTON  
Comprehensive Annual Financial Report  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2016

	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>							
<i>Charges for services:</i>							
Electric	\$ 59,650,417					\$ 59,650,417	
Water		\$ 14,615,342				14,615,342	
Sewer			\$ 9,253,394			9,253,394	
Solid waste				\$ 8,604,445		8,604,445	
Stormwater					\$ 1,904,042	1,904,042	
Golf course					1,672,275	1,672,275	
Medical services					3,846,450	3,846,450	
Broadband					150,025	150,025	
Internal Service Funds							\$ 20,603,582
Other operating revenues	1,830,977				567	1,831,544	64,640
Total operating revenues	61,481,394	14,615,342	9,253,394	8,604,445	7,573,359	101,527,934	20,668,222
<b>OPERATING EXPENSES</b>							
Maintenance and operations	42,016,906	5,397,261	4,538,110	5,619,795	5,188,479	62,760,551	17,973,486
Administrative and general	5,555,027	1,970,494	1,373,619	1,084,223	1,023,998	11,007,361	1,186,785
Taxes	7,326,110	2,402,335	1,206,698	1,067,057	250,033	12,252,233	
Depreciation	5,463,976	2,275,911	1,700,583	230,125	333,294	10,003,889	1,621,519
Total operating expenses	60,362,019	12,046,001	8,819,010	8,001,200	6,795,804	96,024,034	20,781,790
Operating income/(loss)	1,119,375	2,569,341	434,384	603,245	777,555	5,503,900	(113,568)
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Investment earnings	151,541	43,895	46,080	36,015	29,519	307,050	104,108
Interest expense	(3,146,253)	(703,571)	(513,839)	(13,651)	(308,057)	(4,685,371)	(16,528)
Other interest earnings							
Debt costs	(704)					(704)	
Miscellaneous nonoperating revenues/(expenses)	1,147,022	146,907	15,888	813,724	736,298	2,859,839	235,777
Total nonoperating revenues/(expenses)	(1,848,394)	(512,769)	(451,871)	836,088	457,760	(1,519,186)	323,357
Net income before contributions and transfers	(729,019)	2,056,572	(17,487)	1,439,333	1,235,315	3,984,714	209,789
Capital contributions	853,989	1,416,412	1,397,945	238,144	250,131	4,156,621	
Transfers in					760,000	760,000	185,831
Transfers out	(30,000)	(20,000)	(80,000)	(10,000)	(28,578)	(168,578)	
Change in net position	94,970	3,452,984	1,300,458	1,667,477	2,216,868	8,732,757	395,620
Net position-beginning	49,220,733	56,945,413	49,539,058	748,014	14,737,194	171,190,412	13,831,045
Prior period adjustments		(3,955)				(3,955)	
Net position-ending	\$ 49,315,703	\$ 60,394,442	\$ 50,839,516	\$ 2,415,491	\$ 16,954,062	\$ 179,919,214	\$ 14,226,665
Net change in enterprise funds net position:						\$ 8,732,757	
Internal service funds predominantly serving business-type activities-changes to net position:							
Change in net position						896,035	
Internal payable representing charges in excess of cost to governmental activities-current year						(81,124)	
Total change in net position of business-type activities						\$ 9,547,668	

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

CITY OF RICHLAND, WASHINGTON  
Comprehensive Annual Financial Report  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016

	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 62,562,969	\$ 14,544,004	\$ 9,164,333	\$ 8,472,228	\$ 11,758,624	\$ 106,502,158	\$ 12,259,717
Receipts from interfund services provided	315,846					315,846	8,436,678
Receipts from grants and contributions							54,000
Payments to suppliers	(45,991,492)	(1,704,945)	(1,864,273)	(1,124,253)	(6,349,799)	(57,034,762)	(13,987,995)
Taxes paid	(5,070,280)	(2,402,824)	(1,206,869)	(1,067,572)	(249,480)	(9,997,025)	
Payments to employees	(1,247,705)	(2,505,542)	(2,399,254)	(2,684,786)	(3,009,880)	(11,847,167)	(4,213,566)
Payments for interfund services used	(1,553,860)	(3,087,348)	(1,594,934)	(2,864,158)	(1,232,540)	(10,332,840)	(491,959)
Net cash provided (used) by operating activities	9,015,478	4,843,345	2,099,003	731,459	916,925	17,606,210	2,056,875
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Receipts from customers and users		132,658	15,888	51,656	82,748	282,950	159,381
Grants and contributions					110,486	110,486	
Proceeds from interfund loans					70,000	70,000	25,000
Interfund loans made				(736,170)		(736,170)	(599,678)
Interfund loan repayments made					(41,972)	(41,972)	(47,581)
Interfund loan repayments received		45,862				45,862	178,962
Transfers to other funds	(30,000)	(20,000)	(5,000)	(10,000)	(28,578)	(93,578)	
Transfers from other funds					550,000	550,000	
Net cash provided (used) by noncapital financing activities	(30,000)	158,520	10,888	(694,514)	742,684	187,578	(283,916)
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>							
Principal paid on debt	(2,765,000)	(2,912,315)	(1,329,955)	(120,000)	(401,404)	(7,528,674)	(119,210)
Interest paid on debt	(3,248,810)	(645,673)	(543,881)	(14,288)	(309,807)	(4,762,459)	(16,528)
Transfers to other funds			(75,000)				
Transfers from other funds					210,000	210,000	185,831
Proceeds from debt					25,692	25,692	
Bond issuance costs							
Interfund loan repayments received					(5,096)	(5,096)	(15,661)
Interfund loan repayments made							
Proceeds from sale of capital assets	8,989					8,989	69,536
Proceeds from capital grants and contributions	250,813	850,904	743,541	238,144		2,083,402	
Payments related to acquisition, construction or improvements of capital assets	(6,880,993)	(1,882,412)	(2,677,719)	(436)	(1,018,561)	(12,460,121)	(2,041,831)
Net cash provided (used) by capital and related activities	(12,635,001)	(4,589,496)	(3,883,014)	103,420	(1,499,176)	(22,428,267)	(1,937,863)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Receipt of interest	209,680	95,461	92,146	53,596	40,463	491,346	189,343
Investments sold	7,120,885	6,132,488	5,824,556	2,089,152	1,800,168	22,967,249	9,781,855
Investments purchased	(7,950,545)	(7,243,945)	(4,853,598)	(2,463,673)	(2,121,317)	(24,633,078)	(10,612,313)
Net cash provided (used) by investing activities	(619,980)	(1,015,996)	1,063,104	(320,925)	(280,686)	(1,174,483)	(641,115)
Net change in cash and cash equivalents	(4,269,503)	(603,627)	(710,019)	(180,560)	(120,253)	(5,808,962)	(806,019)
Cash and cash equivalents, January 1	25,168,244	2,864,588	2,030,310	3,334,571	2,548,450	35,946,163	7,182,463
Cash and cash equivalents, December 31	\$ 20,898,741	\$ 2,260,961	\$ 1,320,291	\$ 3,154,011	\$ 2,428,197	\$ 30,137,201	\$ 6,376,444
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating income/(loss)	\$ 1,119,373	\$ 2,569,341	\$ 434,384	\$ 603,245	\$ 777,554	\$ 5,503,897	\$ (113,572)
Adjustments to reconcile operating income to net cash provided from operating activities:							
Depreciation expense	5,463,975	2,275,911	1,700,583	230,125	333,294	10,003,888	1,621,519
Accrued pension expense	(29,065)	(8,522)	(8,375)	(9,132)	(7,558)	(62,652)	(14,225)
(Increase)/decrease in receivables	(321,214)	(45,861)	(88,772)	(118,358)	(178,763)	(752,968)	84,407
(Increase)/decrease in prepaid items		62	1,574	2,763	1,500	5,899	(3,406)
(Increase)/decrease in inventories	176,024	39,403			9,111	224,538	35,824
Increase/(decrease) in payables	723,903	13,011	59,609	22,816	(24,030)	795,309	446,328
Increase/(decrease) in unearned revenues	140,000				5,817	145,817	
Other income and adjustments	1,742,482					1,742,482	
Total adjustments	7,896,105	2,274,004	1,664,619	128,214	139,371	12,102,313	2,170,447
Net cash provided (used) by operating activities	\$ 9,015,478	\$ 4,843,345	\$ 2,099,003	\$ 731,459	\$ 916,925	\$ 17,606,210	\$ 2,056,875
<b>SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Contribution of capital assets	\$ 601,109	\$ 557,980	\$ 654,549	\$	\$ 250,131	\$ 2,063,769	

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

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	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 456,506	\$ 2,434,683
Investments		
Mutual funds	704,508	
Bank certificate of deposit	200,000	
Other investments		
Receivables:		
Customer accounts (net)		81,371
Interest and dividends receivable		
Due from other governments		241,460
Prepaid items		17,300
Interfund loans	27,804	
Capital assets:		
Land		14,593
Depreciable assets (net)		8,448,230
Construction in progress		
Total capital assets (net)	<u>                    </u>	<u>8,462,823</u>
Total assets	<u>1,388,818</u>	<u>\$ 11,237,637</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	105	\$ 122,255
Interfund loans payable		
Compensated absences		217,449
Notes and contracts payable		22,971
Payable to other agencies		10,874,962
Total liabilities	<u>105</u>	<u>\$ 11,237,637</u>
<b>NET POSITION</b>		
Net position restricted for pensions	618,850	
Net position restricted for OPEB	769,863	
Total net position	<u>\$ 1,388,713</u>	

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

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	<b>Pension Trust Funds</b>
<b>ADDITIONS:</b>	
Contributions:	
Employer-property taxes	\$ 242,946
State-fire insurance premium tax	62,276
General Fund contributions	353,000
Total contributions	<u>658,222</u>
Investment income:	
Interest and dividends	42,931
Net change in fair market value of investments	47,085
Total investment income	<u>90,016</u>
Total Additions	<u>748,238</u>
<b>DEDUCTIONS:</b>	
Benefits	663,824
Administrative expenses	35,688
Total deductions	<u>699,512</u>
Change in Net Position	48,726
Net position-Beginning	1,339,987
Net position-Ending	<u>\$ 1,388,713</u>

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







# NOTES TO THE FINANCIAL STATEMENTS



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

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

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

**THE REPORTING ENTITY**

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

Complete financial statements for the Richland PFD may be obtained from the Finance Department at the City of Richland, 505 Swift Blvd, Richland, Washington 99352.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

**1) Governmental Funds Financial Statements** – These report in separate columns the City’s two major governmental funds: the General Fund and Streets Fund. All other governmental funds are aggregated in the “Other Governmental Funds” column.

- The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The majority of General Fund revenue is generated by taxes, state and local shared revenues and charges for services.
- The Streets Fund accounts for the proceeds from Washington State’s motor vehicle fuel taxes, street utility charges and City utility occupation taxes restricted to transportation. Monies in this fund are to be used for new construction, reconstruction and maintenance or repair of streets as identified in the City’s Six-Year Transportation Improvement Program (TIP) and approved by the State. If monies are used for capital construction they are transferred to the Street Construction Fund, a capital project fund.

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

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

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

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

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

The pension and other benefit trust funds are used to account for pension and related benefits for firefighters and policemen who retired prior to March 1, 1970 and payments of excess retirement and medical benefits to active members as of that date.

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

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

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

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

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

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

**BUDGET INFORMATION**

The City's annual budget process begins early in the year with the development of the budget calendar, followed by workshops to identify priority parameters for the upcoming budget cycle. Formal budget preparation begins in June and lasts through September. As preparation progresses, meetings between staff and the City Manager are held to prioritize services and identify key projects to be incorporated into the budget. All requests are thoroughly reviewed to ensure they are cohesive with the City's strategic plan and overall financial picture. The City Manager submits the proposed budget to the City Council in October and it is available on November 1<sup>st</sup> for public review, with a public hearing taking place in November to provide a forum for public comment. First reading is given to the budget ordinance in November with final adoption occurring two weeks later. The formally adopted budget takes effect on January 1<sup>st</sup> of the ensuing year.

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

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

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

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

Budgetary information reported in the financial statements includes the final amended budget in comparison to expenditures for the General Fund and Special Revenue Funds. The General Fund and the Streets Special Revenue Fund include both the original and final amended budgets as well.

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

**ASSETS, LIABILITIES AND NET POSITION**

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

PURPOSE	ELECTRIC	WATER	SEWER	SOLID WASTE	STORM WATER	COLUMBIA PT		TOTAL
						GOLF COURSE	BROADBAND	
Capital Improvements	\$ 21,793,480	\$3,143,470	\$ 1,748,534			\$ 22,239	\$ 53,405	<b>\$26,761,128</b>
Landfill Closure/Post Closure				3,671,665				<b>3,671,665</b>
Future Development			156,000					<b>156,000</b>
Debt Service	1,004,369	1,892,155	837,476		123,518			<b>3,857,518</b>
<b>Total Restricted</b>	<b>\$ 22,797,849</b>	<b>\$5,035,625</b>	<b>\$ 2,742,010</b>	<b>\$3,671,665</b>	<b>\$ 123,518</b>	<b>\$ 22,239</b>	<b>\$ 53,405</b>	<b>\$34,446,311</b>

A. Deposits

The City's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). The City's total deposits as of December 31, 2016, are as follows:

Treasurer's Cash, Net	\$ 5,321,473
Held by Component Unit	55,682
Deposits in Transit	1,018,976
Petty Cash/Change Funds	6,500
Outstanding Checks	(879,625)
Unreconciled items	(259,183)
<b>Total Deposits</b>	<b>\$ 5,263,823</b>

B. Investments

**Investments Measured at Amortized Cost**

As of December 31, 2016, the City held the following investments at amortized cost:

<u>Type of Investment</u>	Maturities	City's own	Total
		investments	
State Investment Pool (LGIP)	Average 30 days	49,429,350	49,429,350

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification and liquidity requirements set forth by the Governmental Accounting standards Board (GASB) for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with generally accepted accounting principles (GAAP). The LGIP was formed under and is regulated by the RCW. As mandated by State law, the State Treasurer

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

**Investments Measured at Fair Value**

In order to receive the best interest rate possible, the City invests large increments of residual pooled cash over various lengths of time. Investments are reviewed and made regularly for all available monies not essential to operations. The interest on these investments is prorated to each fund based on the average of its previous two-month’s ending cash balances. As required by State law and the City’s Investment Policy, all investments of the City’s funds (except as noted) are obligations of the US Government or Washington State Municipalities. The Pension Trust Funds’ investments (Fiduciary Activities) are not subject to State law or the City’s investment policy’s limitations and can be invested in stocks, bonds and mutual funds. The Pension Trust Funds’ investments are carried at fair value.

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

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

**Credit Risk:** The following represents the allocation and credit rating of City investments by type of security as of December 31, 2016:

Federal Home Loan Mortgage Corporation	AAA	18%
Federal National Mortgage Association	AAA	14%
Federal Home Loan Bank	AAA	7%
Federal Farm Credit Bank	AAA	2%
Municipal Bonds	A- to AAA	11%
Local Governmental Investment Pool	Unrated	47%
Pension Mutual Funds	Unrated	1%

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

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



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At December 31, 2016 the City had the following investments at fair value:

<b>Investments by Fair Value Level</b>	Total	Quoted Prices in		Weighted Average Maturities
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
U.S. Government Securities	\$ 4,508,469		\$ 4,508,469	1.1
Municipal Bonds	15,759,158		15,759,158	0.6
<b><u>BUSINESS TYPE ACTIVITIES</u></b>				
U.S. Government Securities	7,859,927		7,859,927	1.1
Municipal Bonds	27,474,036		27,474,036	0.6
Nonnegotiable CD	50,005		50,005	1/16/2021
<b><u>FIDUCIARY ACTIVITIES</u></b>				
Bond Mutual Funds	704,509	704,509		N/A
Nonnegotiable CD	200,000		200,000	1/16/2021
	<u>56,556,104</u>	<u>704,509</u>	<u>55,851,595</u>	
<b>Total Investments by Fair Value Level</b>	<b>\$ 56,556,104</b>	<b>\$ 704,509</b>	<b>\$ 55,851,595</b>	

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

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

The City is required to certify their budget with the Clerk of the Board of County Commissioners on November 30<sup>th</sup> and certify the amount of their taxes levied for the upcoming year. The levy is based on the value of all taxable real property in the County at 100% of the fair market value of the property listed as of the prior May 31<sup>st</sup> as assessed by the County Assessor. The City's regular property tax levy rate is limited to \$3.60 per \$1,000 assessed value (\$3.375 plus \$0.225 for cities with firemen's pensions) by the Washington State Constitution and State law (RCW 84.55.010 and 84.55.0101). Special levies are approved by voters and not subject to the limitations. In 2016, the City's regular tax levy was \$2.6264 per \$1,000 on an assessed valuation of \$5,810,586,971 for a total regular levy of \$15,260,939 (after the appeals process). The City's regular levy included \$0.042 for the Fire Pension Fund which resulted in collections of \$242,946. In addition, there were special levies for debt service for general obligation debt issued for capital acquisitions or construction at \$.3205 per \$1,000 of assessed valuation of \$5,788,851,945 totaling \$1,855,612 (after the appeals process). The composite City of Richland levy was \$2.947 per \$1,000 of assessed valuation for a total levy of \$17,116,551.

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

A portion of the receivable is expected to be collected within 60 days and is reported as revenue on the operating statements, as it is considered available to finance expenditures of the current period. However, a portion will remain delinquent and the property will become subject to foreclosure proceedings by the

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County Treasurer. Foreclosure proceedings take approximately two years to complete. The following delinquent property tax receivables are reported as unavailable revenue (deferred inflows of resources) in the fund financial statements:

General Fund	\$ 220,070
Other Governmental Funds	
Police Station Bond Fund	3,651
Richland Community Center Bond Fund	4,593
Library Remodel Bond Fund	19,169
<b>TOTAL</b>	<b>\$ 247,483</b>

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

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

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

**Assessments** - These consist of assessments receivable on local improvement districts. The receivable is established when the final assessment roll has been adopted. No allowance for uncollectible assessments is recorded because delinquent assessments are considered fully collectible. Assessments are deferred for one year from the date of the adoption of the final assessment roll. In the Special Assessment Bond Fund the amount receivable as of December 31, 2016 includes \$3,796 in delinquent assessments and \$19,395 in current assessments. There is \$545,423 in deferred assessments in the Special Assessment Fund which is offset by deferred inflows of \$545,423, which is considered to be unavailable to finance expenditures of the current period.

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

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Other Governmental Funds	
CDBG fund	\$1,277,263
HOME fund	<u>1,351,816</u>
<b>TOTAL</b>	<b><u>\$2,629,079</u></b>

The Columbia Point Golf Course also has a \$100,000 working capital advance from the City, which was established as part of a management contract to operate the City's Golf Course.

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

The following table shows a summary of the interfund activity for the year ended December 31, 2016:

OWED TO...	OWED BY...			
	Other Governmental	Other Enterprise	Internal Service	TOTAL
Other Governmental	\$ 3,101	\$ -	\$ -	\$ 3,101
Water Fund	-	31,120	-	31,120
Solid Waste Fund	793,352	-	-	793,352
Internal Service	507,493	70,000	25,000	602,493
Fiduciary	22,380	-	5,424	27,804
<b>Total</b>	<b>\$ 1,326,326</b>	<b>\$ 101,120</b>	<b>\$ 30,424</b>	<b>\$ 1,457,870</b>

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

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OWED TO...		OWED BY...			
Reported In	Fund	Other Governmental		Internal Service	TOTAL
		Debt Service	Capital Projects	Equipment Replacement	
		Special Assessment Bond Fund	Streets Capital Construction		
Solid Waste Fund		\$ -	\$ 793,352	\$ -	\$ 793,352
Internal Service	Equipment Replacement	2,815	-	-	2,815
Fiduciary	Firemen's Pension	22,380	-	5,424	27,804
<b>Total</b>		<b>\$ 25,195</b>	<b>\$ 793,352</b>	<b>\$ 5,424</b>	<b>\$ 823,971</b>

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

OWED TO...	OWED BY...	
	Other Enterprise	TOTAL
Reported In	Columbia Point Golf Course	
Water Fund	\$ 31,120	\$ 31,120
<b>Total</b>	<b>\$ 31,120</b>	<b>\$ 31,120</b>

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

OWED TO...		OWED BY ...				
Reported In	Fund	Other Governmental		Other Enterprise	Internal Service	TOTAL
		Special Revenue Fund	Capital Projects Fund			
		CDBG	Streets Capital Construction	Columbia Point Golf Course	Central Stores	
Other Governmental	Streets Capital Construction	\$ 608	\$ -	\$ -	\$ -	\$ 608
	Park Project Construction	2,493	-	-	-	2,493
Internal Service	Equipment Replacement	-	504,678	70,000	25,000	599,678
<b>Total</b>		<b>\$ 3,101</b>	<b>\$ 504,678</b>	<b>\$ 70,000</b>	<b>\$ 25,000</b>	<b>\$602,779</b>

**Inventories and Prepaid Items** - Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed. In the governmental fund statements a portion of fund balance equal to the ending amount of inventory is presented as non-spendable to indicate that it is not available for future expenditures. A comparison to market value is not considered necessary as inventories in proprietary funds are valued at average cost, which approximates market value. Prepaid items include software maintenance agreements, subscription renewals and January 2017 benefits assessments paid in December 2016. The proprietary and internal service funds report prepaid expense that is comprised of insurance premiums.

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

**Benton County Emergency Services (BCES)** - BCES was formed January 1, 1997 through an interlocal agreement entered into by the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County. This agreement will continue indefinitely unless terminated by a participant. An Executive Board oversees the operations of BCES and consists of the City Managers (or designee) from the Cities of Kennewick and Richland, City Administrators from Prosser and West Richland, a Council member from Benton City and a Benton County Commissioner. The City of Richland serves as the operating jurisdiction providing all the necessary administrative support services and reporting for BCES. The total amount paid by BCES in 2016 for these services was \$234,192. No distributions of income to the City are expected since charges are assessed only to recover anticipated expenses.

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

**SECOMM** - SECOMM provides public safety communications services to the Cities of Kennewick, Richland and Benton County. Each owns an equal share of SECOMM's net assets. Financial participation is allocated among the three participants based on equal shares of capital expenses, predetermined fixed costs, direct costs and percentages of use. SECOMM also provides service through contracts to the Cities of West Richland and Prosser, and Benton County Fire Protection District Nos. 1, 2, 3, 4, and 6. Service contract agencies are assessed on a cost per capita or cost per call basis. The City of Richland's equity interest in SECOMM as of December 31, 2016 was \$1,249,022 which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

**800 MHz** - 800 MHz Radio Project fund provides communication infrastructure and technology for the dispatching of public safety agencies throughout Benton County. The Cities of Kennewick, Richland and Benton County each owns a share of 800 MHz's net assets. User agencies are Benton County's Sheriff Office, Jail, Juvenile Justice Center, Public Works, Public Utility District, and Animal Control; the Cities of Richland, Kennewick, Prosser, and West Richland, as well as PNNL and the Areva Corporation. Radios are charged an annual fee per radio to generate the funds to maintain and upgrade the system. The City of Richland's equity interest in 800 MHz as of December 31, 2016 was \$1,466,521 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety under the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

**Microwave** - The microwave system is accounted for in a separate fund. User groups are charged a portion of costs based on number of circuits utilized. The Cities of Kennewick, Richland and Benton County each own an equal share of Microwave's net assets. Richland's equity interest in Microwave as of December 31, 2016

was \$24,222 which is reported as an asset in the government-wide Statement of Net Position. The change in equity is reflected in Public Safety on the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net position will be shared equitably among the participants.

**BCEM** - BCEM provides disaster response planning, exercise coordination, response assistance and disaster recovery for Benton County and its political subdivisions per RCW 38.52. Four grant programs fund BCEM: Radiological Emergency Preparedness, DOE Emergency Preparedness, State Homeland Security Program and Emergency Management Program. The six (6) participating jurisdictions of the Cities of Richland, Kennewick, West Richland, Benton City and Prosser as well as Benton County participate in the grant programs through the Interlocal Agreement for Emergency Management. Financial position is allocated based on equal shares of a predetermined basic charge and a variable charge calculated using population percentages and assessed valuations. The City of Richland's equity interest in BCEM as of December 31, 2016 was \$24,424, which is reported as an asset in the government-wide Statement of Net Assets. The change in equity is reflected under Public Safety in the government-wide Statement of Activities. Upon dissolution of the Interlocal Agreement, the net assets will be shared equitably among the participants.

Complete and separate financial statements for all operations of Benton County Emergency Services may be obtained at the City of Richland, 505 Swift Blvd, Richland, Washington.

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

The allocation of financial participation among the participating jurisdictions is based upon the approved budget for that year and is billed quarterly in advance to each agency. On dissolution of the Interlocal Agreement, the net position will be shared based upon participant contribution.

Effective January 1, 1992, the City of Kennewick assumed responsibility for operation of the BI-PIN system. As the Operating Jurisdiction, Kennewick provides all necessary support services for the operation of BI-PIN such as accounting, legal services, risk management and information systems. The total amount paid by BI-PIN in 2016 for these transactions was \$119,000.

The City of Richland's equity interest in BI-PIN was \$55,064 on December 31, 2016, which is reported as an investment in joint ventures in the government-wide statement of net position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The City does not anticipate any income distributions from BI-PIN since charges are assessed only to recover anticipated expenses.

Complete separate financial statements for BI-PIN may be obtained at the City of Kennewick, 210 W. 6th Ave., Kennewick, Washington, 99336.

**Metro Drug Forfeiture Fund** - The Metropolitan Controlled Substance Enforcement Group (Metro) was established prior to 1987, when an Interlocal Agreement was entered into by six participating municipal corporations, the cities of Kennewick, Pasco, Richland, and West Richland, and Benton and Franklin Counties. Metro was established to account for the proceeds of forfeitures, federal grants, and court ordered

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contributions, and to facilitate the disbursement of those proceeds for the purpose of drug enforcement and investigations. Metro is served by an Executive Committee composed of the City Manager or designee of each of the cities and a member from each of the Boards of County Commissioners of Benton and Franklin Counties. In addition, a Governing Board consisting of the Chiefs of Police from the cities and the Sheriffs from the counties administers daily activity.

Effective July 1, 2009, the City of Kennewick assumed responsibility for the operation of Metro. As the Operating Jurisdiction, Kennewick provides accounting services for the operation of Metro.

The City of Richland's equity interest in Metro was \$20,855 on June 30, 2016, which is reported as an investment in joint ventures in the government-wide statement of net position. The change in equity is reflected in the government-wide statement of activities under Public Safety. The City does not anticipate any income distributions from Metro.

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

**Land Held for Sale** – The City maintains an inventory of land held for sale, primarily for industrial and economic development purposes. Land held for sale is presented on the Government-Wide Statement of Net Position at the lower of acquisition value or anticipated market value. In 2016 the City accepted an additional 581 acres of undeveloped land from the US Department of Energy, as a result of the DOE’s decommissioning of portions of the Hanford Nuclear Reservation.

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

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

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

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

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

Depreciation in the utility funds is computed on asset pools to which a composite percentage rate is applied. The rate for the Electric Fund is from 1.5 to 10 percent per year as prescribed by the Federal Energy Regulatory Commission (FERC). Additional information on the City's capital assets is provided in Note 2.

### **Liabilities**

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

**Payable to Other Governments** – In governmental activities, these consist primarily of amounts owed to Washington State for their share of City activities (e.g. gun permits, business licenses, etc.) and the City's jail and court costs owed to Benton County. In business-type activities, these consist primarily of excise taxes due to Washington State resulting from the operation of the City's utilities.

**Deposits Payable** – These consist primarily of amounts due to customers for deposits made for City utility services and cash on deposit with WCIA for the revolving insurance fund.

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

**Unearned Revenue** – These include amounts recorded as receivables or other assets for which the revenue recognition criteria has not yet been met. They consist of 1) unredeemed gift certificates at Columbia Point Golf Course, 2) contributions received from developers which are subject to refund in the future under certain conditions, 3) prepaid facilities fees that will be applied toward future development, and 4) prepayment of a farm lease in the Industrial Development Fund.

**Net Pension Liability** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City's financial statements recognize a proportionate share of Net Pension Liability (NPL), deferred inflows and outflows and pension expense for its four State sponsored plans. The City's financial statements also include two local government plans that are reported pursuant to GASB 68 requirements. Allocations to proprietary funds are reported on proprietary fund statements and allocations to governmental funds are reported as long term liabilities on the Government Wide Statement of Net Position. This is discussed in more detail in Note 9.

**Net Other Post-Employment Benefits (OPEB) Obligation** - The City funds its post-employment healthcare program on a pay-as-you-go basis and recognizes current expense in the period it was incurred. The City implemented GASB Statement No. 45 in 2008 and although GASB Statement No. 45 does not require advance funding of OPEB, if the Annual OPEB Cost is underfunded, the City is required to report the difference as a liability and expense in the OPEB fund. The cumulative net OPEB obligation is reported as a long term liability in the Internal Service Post Employment Health Care Fund. The City also administers OPEB plans for the Fire and Police



Pension Trust Funds. The trust funds are governmental funds and are subject to the requirements of GASB 43. The net OPEB obligation is reported as a long term liability in the Government Wide Statement of Net Position. OPEB is discussed in detail in Note 8.

**Long-term Liabilities** - (includes bonds, notes, contracts payable and other noncurrent liabilities) – See Note 3 for a complete discussion of the City’s long-term liabilities.

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

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

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

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

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

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

Details on the purpose of constraints on fund balance are presented in Note 14 to the financial statements.

**Minimum Fund Balance** – The City’s financial policies, as outlined in the 2016 annual budget document, state that minimum reserves should be maintained in the General Fund equal to approximately 16.7% of projected

annual operating expenditures. Any proposed reduction of this reserve level requires approval by a majority of the City Council.

**Deficit Fund Equity** – Four funds had a deficit balance in fund equity at December 31, 2016, as follows:

- The Post-Employment Health Care Plan Fund, an internal service fund, has a deficit net position of \$4,281,698, which is the result of compliance with accounting standards established under GASB Statement No. 45. As mandated by this statement, if the City does not fully fund the Annual OPEB Cost, an underfunding occurs and a liability and expenditure must be recorded for the underfunded amount. The OPEB obligation is a cumulative amount of \$5,363,941 for years 2008-2016. The cumulative liability results in a deficit net position in the fund.
- The Streets Construction Fund, a capital project fund, has a deficit fund balance of \$476,582 as of December 31, 2016. The construction of most streets projects are funded by reimbursement-type grants. Reimbursements are periodically requested during completion of the work. Subsequent draws will correct the deficit balance.
- The Public Works Administration and Engineering Fund is reporting a deficit net position at December 31, 2016, in the amount of \$1,610,111. The Net Pension Liability reported in accordance with GASB 68 results in a deficit fund balance at year end.
- The Equipment Maintenance Fund is reporting a deficit net position at December 31, 2016, in the amount of \$108,673. The Net Pension Liability reported in accordance with GASB 68 results in a deficit fund balance at year end.

**Stewardship, Compliance and Accountability** - There have been no material violations or possible violations of laws or regulations and finance-related legal or contractual provisions whose effects should be considered for disclosure in the financial statement or as a basis for recording loss contingencies, except as disclosed in Note 11. The City has satisfactory title to all owned assets and there is no lien or encumbrance on such assets, nor has any asset been pledged.

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**Prior Period Adjustments** – The following table itemizes all the prior period adjustments made in 2016, along with the purposes for the adjustments:

	Purpose for Adjustment	Increase/(Decrease) due to Adjustment		
		Assets	Liabilities	Net Position
<b>Governmental Funds:</b>				
General Fund	1	(80,244)	-	(80,244)
Park Reserve Fund	1	80,244	-	80,244
Streets Capital Construction Fund	2	(23,650)	-	(23,650)
	3	-	(5,017)	5,017
Total Streets Capital Construction Fund		(23,650)	(5,017)	(18,633)
Total Governmental Funds		\$ (23,650)	\$ (5,017)	\$ (18,633)
<b>Enterprise Funds:</b>				
Water Fund	4	(3,955)	-	(3,955)
Total prior period adjustments - all funds		\$ (27,605)	\$ (5,017)	\$ (22,588)
<b>Government-wide Financial Statements:</b>				
Governmental Activities	5	8,934,884	-	8,934,884
	6	-	4,194,178	(4,194,178)
	7	-	271,393	(271,393)
	8	-	(18)	18
	9	9,479,815	-	9,479,815
Total Governmental Activities		18,414,699	4,465,553	13,949,146
Total prior period adjustments - all funds and govt activities		\$ 18,387,094	\$ 4,460,536	\$ 13,926,558

Purpose for prior period adjustments:

- 1 Prior years' lease expense was coded to the wrong fund. Reclass from Park Reserve to the General fund.
- 2 Payments received for traffic mitigation/impact fee/developer deposits were coded incorrectly in 2015.
- 3 Retainage payable was accrued twice in error in 2015.
- 4 Capital project cancelled in 2016, reduce assets for prior year's costs, which had been capitalized.
- 5 Land held for resale was not included as an asset on the Government-Wide Statement of Net Position in prior years.
- 6 Fire and police OPEB liability was omitted from the Government-Wide Statement of Net Position in error in 2015.
- 7 Compensated absences liability for City employees working for BCES was not included in prior years.
- 8 Prior year's loan balance was reported using an outdated amortization schedule, actual administrative fees charged by the State were less than estimated, resulting in a lower beginning loan balance.
- 9 Certain street infrastructure was over-depreciated in 2014 and 2015. Correction to beginning accumulated depreciation balance.

**Comparative Data**– Comparative total data for the prior year have been presented in order to provide an understanding of the changes in financial position and operations.

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**NOTE 2. CAPITAL ASSETS**

**Governmental Activities** - A summary of governmental capital assets for the year ended December 31, 2016 is presented in the following table:

<b>Governmental activities</b>	Balance			Transfers/ Reclassifications	Balance December 31, 2016
	January 1, 2016	Increases	Decreases		
<b>Capital Assets, not being depreciated:</b>					
Land	\$ 6,678,962	\$ 592,344	\$ -	\$ -	\$ 7,271,306
Construction in progress	11,475,138	5,377,309	(3,711,602)	-	13,140,845
Total capital assets, not being depreciated	18,154,100	5,969,653	(3,711,602)	-	20,412,151
<b>Capital Assets, being depreciated:</b>					
Buildings and improvements	67,844,554	332,377	-	-	68,176,931
Machinery and equipment	8,043,206	222,172	(6,142)	-	8,259,236
Infrastructure	206,566,050	4,777,280	-	(391,710)	210,951,620
Intangibles	828,044	31,858	-	-	859,902
Total capital assets, being depreciated	283,281,854	5,363,687	(6,142)	(391,710)	288,247,689
Less accumulated depreciation for:					
Buildings and improvements	(28,984,365)	(2,146,955)	-	-	(31,131,320)
Machinery and equipment	(5,158,832)	(462,040)	-	-	(5,620,872)
Infrastructure	(157,927,143)	(2,774,035)	9,479,815 <sup>(1)</sup>	-	(151,221,363)
Intangibles	(168,475)	(94,731)	-	-	(263,206)
Total accumulated depreciation	(192,238,815)	(5,477,761)	9,479,815	-	(188,236,761)
Total capital assets being depreciated, net	91,043,039	(114,074)	9,473,673	(391,710)	100,010,928
<b>Governmental activities capital assets, net</b>	<b>\$109,197,138</b>	<b>\$ 5,855,579</b>	<b>\$ 5,762,071</b>	<b>\$ (391,710)</b>	<b>\$ 120,423,079</b>

<sup>(1)</sup> See "Prior Period Adjustments" on previous page.

Depreciation expense was charged as follows:

<b>FUNCTION</b>	<b>TOTAL</b>
General Government	\$ 717,790
Public Safety	384,750
Transportation	2,699,569
Economic Environment	211,303
Culture & Recreation	1,464,349
<b>TOTAL DEPRECIATION EXPENSE</b>	<b>\$ 5,477,761</b>

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Construction commitments existing as of December 31, 2016 in the City's governmental-type activities:

Fund	Project	Spent as of December 31, 2016	Remaining Committed
Streets	South George Washington Way Improvements	3,540	44,351
Streets	Center Parkway	99,407	1,834,403
Streets	Duportail Bridge	1,297,442	734,834
Streets	Duportail Street Extension	1,711,467	576,776
Streets	Duportail Street Reconstruction	1,342,501	96,727
Streets	RAISE Area Infrastructure	158,206	4,227,410
Streets	Vantage Pathway	42,024	268,854
Streets	Queensgate Pathway	19,837	93,665
Parks Construction	Shoreline Enhancement	30,931	4,731
Parks Construction	Columbia Park West Improvements	-	8,335
Parks Construction	Gala Park Improvements	1,471	951
Parks Construction	Howard Amon Park Improvements	21,789	32,727
Parks Construction	Columbia Point Marina Park Improvements	37,855	489
General Govt Construction	Swift Corridor Improvements (City Hall)	935,704	23,070

**Business-Type Activities** - A summary of business-type capital assets for the year ended December 31, 2016 is presented in the following table:

Business-type activities	Balance			Transfers/ Reclassifications	Balance December 31, 2016
	January 1, 2016	Increases	Decreases		
<b>Capital Assets, not being depreciated:</b>					
Land	\$ 8,423,336	\$ 20,087	\$ -	\$ -	\$ 8,443,423
Construction in progress	11,065,353	13,477,642	(15,161,898)	-	9,381,097
Total capital assets, not being depreciated	19,488,689	13,497,729	(15,161,898)	-	17,824,520
<b>Capital Assets, being depreciated:</b>					
Buildings and improvements	46,975,325	-	-	-	46,975,325
Machinery and equipment	31,718,376	2,262,397	(739,242)	-	33,241,531
Infrastructure	331,811,500	14,622,029	-	-	346,433,529
Total capital assets, being depreciated	410,505,201	16,884,426	(739,242)	-	426,650,385
Less accumulated depreciation for:					
Buildings and improvements	(26,835,291)	(1,304,653)	-	-	(28,139,944)
Machinery and equipment	(19,841,079)	(2,214,667)	621,243	-	(21,434,503)
Infrastructure	(128,095,124)	(8,106,089)	-	-	(136,201,213)
Total accumulated depreciation	(174,771,494)	(11,625,409)	621,243	-	(185,775,660)
Total capital assets being depreciated, net	235,733,707	5,259,017	(117,999)	-	240,874,725
<b>Business-type activities capital assets, net</b>	<b>\$255,222,396</b>	<b>\$18,756,746</b>	<b>\$(15,279,897)</b>	<b>\$ -</b>	<b>\$ 258,699,245</b>

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The following is a list of construction commitments existing as of the year ended December 31, 2016 in the City's business-type activities:

<u>Fund</u>	<u>Project</u>	<u>Spent as of December 31, 2016</u>	<u>Remaining Committed</u>
Electric	PNNL Future Capacity Improvement	-	1,490,000
Water	Horn Rapids Irrigation Improvements	45,992	10,400
Water	Jason Lee Elementary Irrigation Well	5,663	14,870
Water	Distribution System Repair/Replacement	380,914	18,794
Water	Water Transmission Line - Yakima/Duportail Bridge	72,642	107,358
Sewer	Solids Upgrade	2,623,516	341,947
Sewer	Treatment Facility Renew/Replacement	12,181	28,534
Sewer	Collection System Renew/Replacement	93,096	662
Stormwater	Outfall Improvements	590,906	1,388
Broadband	Fiber Optic Infrastructure	68,643	4,183

**NOTE 3. LONG-TERM DEBT AND LIABILITIES**

**Governmental Activities**

Long-term liabilities of the City's governmental activities consist of 1) general obligation bonds, 2) compensated absences, 3) notes and loans payable to state agencies, 4) Net Other Post-Employment Benefits (OPEB) Obligation, and 5) Net Pension Liability. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long Term Governmental Liabilities and Debt which includes changes to long-term liability activities for 2016.

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

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

**Net OPEB Obligation** – As described in Note 8, the City administers a single-employer defined benefit post-employment healthcare plan, providing healthcare insurance for eligible retirees, their spouses, and their children. The City is also responsible for administering two OPEB Plans for Pre LEOFF police officers and firefighters. The Net OPEB Obligation at year end for each plan is included in the long-term debt table presented later in this section. GASB Statement 45 requires governments to recognize the cost of OPEB in the period it is earned and provide information about actuarial accrued liabilities for promised benefits. Although pay-as-you-go funding is acceptable for OPEB plans, when a government fails to fully fund the annual OPEB cost, the difference between the OPEB cost and actual contribution is reported as a liability and expense in the fund financial statements. The annual OPEB cost is comprised of the Annual Required

Contribution (ARC) with adjustments for interest and prior year's under-funding(s). The City reported an increase of \$2,081,058 in Net OPEB Obligation (NOO) for all plans in 2016, of which \$2,106,923 is attributed to governmental-type funds. The NOO for all fund types as of December 31, 2016, is \$11,714,722, which is reported in the Government-Wide Statement of Net Position as a governmental liability, as it is accounted for in an internal service fund that predominantly serves governmental fund types. For the purpose of liability disclosure in the notes, the NOO is split between governmental and business-type liabilities based on contributions to the OPEB fund. The NOO related to governmental activities as of December 31, 2016, is \$9,292,203 and the NOO related to business type activities is \$2,422,519.

**Net Pension Liability** – GASB 68 became effective with the 2015 CAFR. As such the City is required to report a proportionate share of the State's pension liability from the PERS 1, PERS 2 and 3, LEOFF 1 and LEOFF 2 State Pension Plans. LEOFF 1 and LEOFF 2 Plans have Net Pension Assets which are not reflected in this section, however PERS 1 and PERS 2 and 3 Plans have Net Pension Liabilities (NPL) that are reflected in the following table. The City's share of the Net Pension Liability for PERS 1 and PERS 2/3 is \$25,962,748. This amount has been allocated to Governmental activities and Business type activities based on contributions of each fund. Governmental Funds are only reported on the Statement of Net Position however proprietary funds have recorded their share of the liability in the fund financial statements. In addition to the State pension plans, the City is responsible for administering two Pre LEOFF 1 Pension Plans for Pre LEOFF Police and Fire officers. The NPL for each of those plans is included in the long-term debt table presented later in this section.

**Refunded Bonds** – In prior years the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the City's financial statements. At December 31, 2016, \$12,695,000 of bonds outstanding are considered defeased.

**Bond Anticipation Note**-In 2015, Cashmere Valley Bank issued the City a Waterworks Utility Revenue Bond Anticipation Note, for the purpose of interim financing for construction of water and sewer infrastructure within a utility local improvement district along Reata Road. The note is approved for up to \$700,000 and is backed by the Water Utility. However repayment of this loan will occur through customer prepayments and long term financing in the Local Improvement District Debt Service Fund, which is a governmental fund. As of December 31, 2016, the City had drawn \$607,679 on the note, and repaid \$171,521, leaving an ending balance of \$436,158. The note has a final maturity is October 1, 2018 and bear interest at a quarterly adjustable variable rate equal to 65.01% of the LIBOR 3-month rate, plus 1.75%. Interest is payable semiannually and principal is due at maturity or when replaced with long-term financing.

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The following table provides a complete and comprehensive record of all long-term governmental liabilities as of December 31, 2016:

SCHEDULE OF LONG-TERM LIABILITIES - GOVERNMENTAL ACTIVITIES								
UNLIMITED TAX GENERAL OBLIGATION BONDS-VOTED								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2016	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/16	DUE WITHIN ONE YEAR
2007 Library Bond Expansion/Remodel	4.00%-5.00%	12/1/2026	\$ 17,250,000	\$ 750,000		\$ 750,000	\$ -	\$ -
2015 Refunding UTGO Police Station/Community Center/Library Remodel	2.00%-5.00%	12/1/2026	14,385,000	14,385,000		510,000	13,875,000	1,355,000
<b>TOTAL UNLIMITED TAX GENERAL OBLIGATION BOND DEBT</b>							<b>\$ 13,875,000</b>	<b>\$ 1,355,000</b>
LIMITED TAX GENERAL OBLIGATION BONDS-NONVOTED, COUNCILMANIC								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2016	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/16	DUE WITHIN ONE YEAR
2005 LTGO Ref. 1996 Cty Shops-1998 Capital Imp.	3.00%-5.00%	12/1/2017	\$ 9,820,000	\$ 1,610,000		\$ 1,015,000	\$ 595,000	\$ 595,000
2006 Impr/Ref 2002 LTGO, Parks & Streets Capital Impr.	4.00%-4.25%	12/1/2026	6,315,000	3,950,000		445,000	3,505,000	390,000
2010 LTGO Refunding (1998 LTGO Refund, IT Facility)	2.00%- 4.30%	12/1/2039	3,170,000	1,505,000		55,000	1,450,000	50,000
2013A LTGO LRF to finance infrastructure in RAISE area	1.125%-4.00%	12/1/2037	10,050,000	10,050,000		320,000	9,730,000	330,000
2013B LTGO LRF to finance infrastructure in RAISE area	.38%-3.50%	12/1/2027	1,065,000	5,000		5,000	-	-
2014 LTGO Fire Station #74 Construction	2.0%-4.0%	12/1/2034	3,355,000	3,235,000		125,000	3,110,000	125,000
<b>TOTAL LIMITED TAX GENERAL OBLIGATION BOND DEBT</b>							<b>\$ 18,390,000</b>	<b>\$ 1,490,000</b>
OTHER GOVERNMENTAL LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 1/1/2016	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/16	DUE WITHIN ONE YEAR
Economic Revitaliz. Bd Loan Battelle Blvd. Ext.	1.00%	1/1/2026	\$ 780,000	\$ 583,246		\$ 50,424	\$ 532,822	\$ 50,928
Reata ULID Construction Fund Bond Anticipation Note	Variable	10/1/2018	-	313,361	294,318	171,521	436,158	-
WSDOT Rail Loan for Streets	0.00%	7/1/2025	399,982	399,982		39,998	359,984	39,998
Loan from Fire Pension Fund (LID 192 Hunt LID)			46,045	4,450		1,320	3,130	1,306
Loan from Fire Pension Fund (LID 193 Saint St)			67,053	22,100		2,850	19,250	1,130
Compensated Absences		N/A	-	3,194,564	3,116,710	2,800,668	3,510,606	1,755,303
Net Pension Liab-Pre LEOFF 1 Plan Fire		N/A	-	1,513,383		110,767	1,402,616	-
Net Pension Liab-Pre LEOFF 1 Plan Police		N/A	-	2,665,555		80,554	2,585,001	-
Net OPEB Obligation-Pre LEOFF 1 Plan Fire		N/A	-	2,154,091	999,657		3,153,748	-
Net OPEB Obligation-Pre LEOFF 1 Plan Police		N/A	-	2,040,387	1,156,646		3,197,033	-
Net Pension Liability- State PERS/LEOFF Plans		N/A	-	10,921,931	2,291,223		13,213,154	-
Net OPEB Obligation- City Post Emp Healthcare		N/A	-	2,990,802		49,380	2,941,422	-
<b>TOTAL OTHER GOVERNMENTAL LIABILITIES</b>							<b>31,354,924</b>	<b>1,848,665</b>
<b>TOTAL GOVERNMENTAL LIABILITIES</b>							<b>\$ 63,619,924</b>	<b>\$ 4,693,665</b>

In the Statement of Net Position, the general obligation bonds payable are reported net of unamortized premiums and discounts of \$1,680,512.



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The annual debt service requirements to maturity as of the fiscal year ended December 31, 2016 for governmental debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

<b>SCHEDULE OF DEBT SERVICE FOR GOVERNMENTAL ACTIVITIES</b>			
<b>YEAR ENDING DECEMBER 31</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2017	\$ 2,935,926	\$ 1,213,029	\$ 4,148,955
2018	2,481,436	1,116,901	3,598,337
2019	2,581,950	1,039,348	3,621,298
2020	2,172,470	948,516	3,120,986
2021	2,302,994	866,291	3,169,285
2022-2026	12,328,030	3,054,029	15,382,059
2027-2031	3,855,000	1,220,312	5,075,312
2032-2036	3,865,000	495,952	4,360,952
2037	635,000	22,225	657,225
<b>TOTAL</b>	<b>\$ 33,157,806</b>	<b>\$ 9,976,603</b>	<b>\$ 43,134,409</b>

**Business-Type Activities**

Long-term liabilities of the City’s business-type activities consist of 1) revenue and general obligation bonds, 2) compensated absences, 3) notes and loans payable to state and local government agencies, 4) closure and post-closure care liability for the City’s landfill, 5) Net Other Post-Employment Benefits (OPEB) 6) Capital Leases, and 7) Net Pension Liability. The following is a discussion of each type of liability (except compensated absences which is discussed in a separate section of this note). Following the discussion is a table of Long Term Business Type Liabilities and Debt which includes changes to long-term liability activities for 2016.

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

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

**Landfill Closure and Post-Closure Care Liability** - The City of Richland owns and operates a 57-acre municipal solid waste landfill. Currently, 46 acres are permitted for disposal of waste. State and Federal laws and regulations require that the City place a final cover on its landfill once its capacity is reached. The City is also required to perform maintenance and monitoring functions at the site for thirty years following closure.

Although closure and post-closure care costs will be paid only near or after the date the landfill site is filled to capacity, the City must recognize the expense related to these activities as the related liability is incurred. The expense and concurrent liability is calculated based upon the landfill capacity used to date. At the end of each year of operation, it has been necessary to measure the capacity used at the landfill. By using the change in capacity during the current year, a percentage of total capacity used is known. This percentage is

then applied to the estimated cost to close the landfill and provide post-closure care for thirty years. The estimate of these costs may differ from the actual costs due to inflation, changes in technology, or changes in regulations.

The City's closure/post-closure operations plan is to proceed in two phases. Closure of the first phase was completed during 2011. While monitoring and maintenance activities are taking place on the first phase area, true post closure care will not commence until both phases are closed. As of the end of 2016, the landfill volume used was 87.22%. The remaining landfill area is anticipated to reach full capacity and require closure in 2020. This projected date of closure may be extended due to city-wide waste diversion efforts which began in 2010. As of December 31, 2016, the City had sufficient funds set aside to fund the projected \$3,423,400 construction costs of the second phase closure infrastructure and provide approximately one-third of the post-closure care. Cash and investments of \$4,330,806 or 64.73% of required reserves, have been accumulated as of December 31, 2016. The post-closure care of current landfill site is estimated to cost \$3,267,000 in current dollars. The additional \$2,359,594 of reserves necessary to complete the 30 years of post-closure care will be funded through operations.

During 2015, the choice was made to provide interim funding to the City streets fund for one of their projects. By providing the funding, the reserve gains an investment opportunity that provides a rate of return greater than current market rates. Interest will accrue annually, but be paid in 2018 with the loan payoff. As of December 31, 2016, the amount loaned was \$793,352. This amount is reflected in the cash and investments total above.

The City's waste management software tracked 58,653 tons of waste accepted in 2016. The current year expense for the related use of available volume was \$232,713. Also during 2016, the estimate of post-closure care cost anticipated per year was reevaluated. As a result of this estimate change, it was necessary to recognize a reduction in expense of \$526,463. In addition, new engineering measurements of the remaining available volume provided a reduction in expense of \$495,942. Net impact of all three entries was a liability reduction of \$789,692.

**Net OPEB Obligation** – As noted in the governmental activities section, the City reported an overall increase in Net OPEB Obligation of \$2,081,058 in 2016. Of this amount, a decrease of \$25,865 arose from business-type activities. As of December 31, 2016, the City's cumulative Net OPEB obligation is \$11,714,722, of which \$2,422,519 is allocated to business-type activities. Net OPEB Obligation at year end is included in the following table.

**Net Pension Liability** – GASB 68 became effective with the 2015 CAFR. As such the City is required to report a proportionate share of the State's pension liability from the PERS 1, PERS 2 and 3, LEOFF 1 and LEOFF 2 State Pension Plans. PERS 1 and PERS 2/3 Plans have Net Pension Liabilities (NPL) that are reflected in the following table. The City's share of the Net Pension Liability for PERS 1 and PERS 2/3 is \$25,962,748 of which \$12,749,594 is allocated to business-type activities based on contributions of each fund. Governmental Funds are only reported on the Statement of Net Position however proprietary funds have recorded their share of the liability in the fund financial statements.

**Capital Leases** – The City has three capital leases for two pumper trucks and a wildlands brush truck. The lease on one of the pumper trucks was fully paid by the end of 2016, as shown in the following table. For more information on capital leases, see Note 5 to the financial statements.

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SCHEDULE OF LONG-TERM LIABILITIES - BUSINESS-TYPE ACTIVITIES								
REVENUE BONDS								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 01/01/2016	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2016	DUE WITHIN ONE YEAR
2007-Electric Refunding & Capital Improvements	4.00%-5.00%	11/1/2036	25,775,000	21,165,000	-	1,955,000	19,210,000	2,035,000
2009-Electric Revenue -Capital Improvements	1.21%-6.37%	11/1/2039	11,200,000	9,740,000	-	260,000	9,480,000	265,000
2013 A Electric Revenue Refunding	.50%-2.50%	11/1/2020	925,000	910,000	-	10,000	900,000	10,000
2013 B Electric Revenue-Capital Improvement and Refunding	2.00%-5.00%	11/1/2042	19,455,000	18,325,000	-	540,000	17,785,000	545,000
2015 Electric Utility Revenue Bonds	2.00%-4.75%	11/1/2045	19,435,000	19,435,000	-	-	19,435,000	-
2009-Water/Sewer Improvement & Refunding	2.50%-5.125%	12/1/2038	21,975,000	13,165,000	-	1,910,000	11,255,000	2,770,001
2012 Water Wastewater Improvement & Refunding	2.00%-4.00%	11/1/2034	7,540,000	6,980,000	-	275,000	6,705,000	285,000
2014 Waterworks Revenue & Refunding	2.00%-4.00%	11/1/2023	9,985,000	9,285,000	-	790,000	8,495,000	-
<b>TOTAL REVENUE BONDED DEBT</b>							<b>\$ 93,265,000</b>	<b>\$ 5,910,001</b>
GENERAL OBLIGATION DEBT ISSUED FOR BUSINESS-TYPE ACTIVITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 01/01/2016	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2016	DUE WITHIN ONE YEAR
2010 LTGO Refunding (1999 SolidWaste Bond)	2.00% - 2.25%	12/1/2019	\$ 1,205,000	\$ 505,000	-	\$ 120,000	\$ 385,000	\$ 125,000
2010 LTGO Refunding (1998 LTGO Refund, 1996 Golf Course Ref)	2.00%- 4.30%	12/1/2039	4,460,000	3,975,000	-	100,000	3,875,000	100,000
2013A LTGO - Broadband Portion to construct a fiber optic structure to support communications network	1.125%-4.00%	12/1/2037	1,200,000	1,200,000	-	-	1,200,000	-
2013B LTGO - Broadband Portion to construct a fiber optic structure to support communications network	.38%-3.50%	12/1/2027	1,165,000	965,000	-	75,000	890,000	75,000
<b>TOTAL GENERAL OBLIGATION BONDED DEBT FOR BUSINESS-TYPE ACTIVITIES</b>							<b>\$ 6,350,000</b>	<b>\$ 300,000</b>

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OTHER BUSINESS-TYPE LIABILITIES								
PURPOSE	INTEREST RATE	MATURITY DATE	ORIGINAL AMOUNT	BEGINNING BALANCE 01/01/2016	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2016	DUE WITHIN ONE YEAR
PWTF #PW-00-691-047 Water Leak Program (Replace Aging Water Lines)	1.00%	7/1/2020	\$ 6,432,914	\$ 1,696,984	-	\$ 339,397	\$ 1,357,587	\$ 339,397
PWTF #PW-03-691-020 Water Main Replacement	0.50%	7/1/2023	8,755,000	4,053,292	-	506,661	3,546,631	506,661
DWSRF Loan #02-65102-039 Rchld Wellfield Disinfection	1.00%	10/1/2023	1,984,802	929,044	-	116,130	812,914	116,130
DWSRF Loan #02-65102-040 Rchld Wellfield Capacity	1.00%	10/1/2023	978,117	460,291	-	57,536	402,755	57,536
DWSRF Loan #03-65103-045 Badger Mountain Pump Station	1.50%	10/1/2024	580,000	326,250	-	36,250	290,000	36,250
DWSRF Loan #DM09-952-029 Horn Rapids Water Reservoir	1.50%	10/1/2029	3,030,000	2,247,220	-	160,516	2,086,704	160,516
#L1400029 Dept. of Ecology Loan for Decant Facility Retrofit & Relocation	1.10%	6/30/2020	400,258	400,258	-	86,138	314,120	88,519
Dept of Ecology Loan #L97000040 for Development of Stormwater Comprehensive Plan	4.30%	3/1/2024	145,776	79,736	-	7,955	71,781	8,300
Dept. of Ecology Recovery Act Loan L1000013 Aeration Basin Project Wastewater	2.90%	5/27/2031	1,538,338	1,273,547	-	66,048	1,207,499	67,989
HAEIF Loan #58-01-01 - Broadband Fund -Fiber Network	3.00%	7/1/2021	150,829	145,186	25,692	27,355	143,523	27,836
Liability for Landfill Closure			N/A	6,305,692	-	789,693	5,515,999	-
Interfund Loan for Purchase of John Deere Loader			74,776	21,378	-	15,954	5,424	5,424
Compensated Absences			N/A	2,153,895	1,929,515	1,874,137	2,209,273	1,104,636
Net Pension Liability- State PERS/LEOFF Plans			N/A	10,502,851	2,246,743		12,749,594	-
Net OPEB Obligation- City Post Emp Healthcare			N/A	2,448,384	-	25,865	2,422,519	-
Capital Lease #5520-001 BOA Pumper Truck				43,851	-	43,851	-	-
Capital Lease #5520-002 BOA Pumper Truck				83,149	-	40,511	42,638	42,638
Capital Lease #001-00539-2363615-9001 Zion Bank, Wildland Brush Truck				192,213	-	34,848	157,365	36,559
<b>TOTAL OTHER BUSINESS-TYPE LIABILITIES</b>							<b>33,336,326</b>	<b>2,598,391</b>
<b>TOTAL BUSINESS-TYPE LIABILITIES</b>							<b>\$132,951,326</b>	<b>\$ 8,808,392</b>

In the Statement of Net Position for Business-Type Activities - Enterprise Funds, the long-term portion of the bonds payable are reported net of unamortized discounts and premiums. Bond issuance costs are reported as expense in the year paid. For the year ended December 31, 2016, the amount reported in the Statement of Net Position as bonds payable is as follows:

BONDED DEBT	ELECTRIC	WATER	SEWER	*SOLID-WASTE	STORM-WATER	*GOLF COURSE	*BROAD-BAND	TOTAL
Current Portion	\$ 2,855,000	\$ 1,628,610	\$ 1,316,391	\$ 125,000	\$ 110,000	\$ 100,000	\$ 75,000	\$ 6,210,000
Long-Term Portion	63,955,000	12,907,073	9,477,928	260,000	1,015,000	3,775,000	2,015,000	\$ 93,405,000
Net unamortized premiums and discounts	4,110,568	962,480	593,547	11,920	6,245	60,521	(31,113)	\$ 5,714,168
<b>Net Long-Term Portion</b>	<b>68,065,568</b>	<b>13,869,553</b>	<b>10,071,475</b>	<b>271,920</b>	<b>1,021,245</b>	<b>3,835,521</b>	<b>1,983,887</b>	<b>99,119,168</b>
<b>Total Reported Liability</b>	<b>\$ 70,920,568</b>	<b>\$ 15,498,162</b>	<b>\$ 11,387,865</b>	<b>\$ 396,920</b>	<b>\$1,131,245</b>	<b>\$ 3,935,521</b>	<b>\$ 2,058,887</b>	<b>\$105,329,168</b>

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

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The annual debt service requirements to maturity as of the fiscal year ended December 31, 2016 for business-type debt is presented below. The schedule includes all debt issues but excludes all other liabilities.

SCHEDULE OF DEBT SERVICE FOR BUSINESS TYPE ACTIVITIES			
YEAR ENDING DECEMBER	Principal	Interest	Total
2017	7,698,448	4,660,044	12,358,492
2018	7,961,737	4,375,385	12,337,122
2019	8,052,914	4,080,465	12,133,379
2020	8,058,614	3,783,284	11,841,899
2021	7,915,451	3,487,504	11,402,955
2022-2026	19,495,200	14,046,458	33,541,658
2027-2031	16,836,824	10,482,883	27,319,707
2032-2036	18,430,000	6,349,781	24,779,781
2037-2041	10,350,000	2,562,510	12,912,510
2042-2045	5,250,000	568,950	5,818,950
<b>TOTAL</b>	<b>\$ 110,049,188</b>	<b>\$ 54,397,263</b>	<b>\$164,446,451</b>

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

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

**Compensated Absences** - City employees are credited on a bi-weekly basis with sick and vacation leave at rates established by City ordinance or union agreement.

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

PTO is accrued when incurred in the government-wide and proprietary fund financial statements. PTO, which may be accumulated up to 500 hours for PERS I employees and 800 hours for PERS II and PERS III employees, is payable upon resignation, retirement or death. On December 31, 2016, the City’s accrued vacation, PTO and sick leave amounted to \$5,719,879. This amount includes \$497,360 of internal services funds that are allocated within the business-type activities.

Compensated absences for the governmental activities are liquidated by the General, Industrial Development, BCES Operations, Housing and Redevelopment, HOME and the City Streets funds. The Electric, Water, Sewer, Solid Waste, Storm-water, Medical Services, Equipment Maintenance and Public Works Administration and Engineering funds liquidate the liability for compensated absences for the business-type activities.

**NOTE 4. FINANCIAL GUARANTEES AND PLEDGED REVENUES**

In 2015 the City worked with the Richland Public Facility District (PFD) to complete a current refunding of \$5,280,000 of the district’s outstanding 2004 limited tax general obligation bonds. The City was involved in the refunding because debt service on the 2004 bonds was guaranteed by the City through a “Contingent Loan Agreement”, dated January 13, 2004, between the City and the PFD, whereby the City irrevocably pledged its full faith, credit and resources to make loans to the PFD in the event that the PFD could not meet the payments on the bonds. The City agreed to a new contingent loan agreement with the PFD to offer the same guarantee for the 2015 bond issue. The obligation of the City to make loans to the PFD for debt service shall terminate upon payment in full of the principal and interest on all outstanding bonds. The repayment terms of the loan agreement mandate repayment of interest and principal to the City from available pledged revenues of the PFD. To date all scheduled bond payments of principal and interest have been paid by the PFD and the City has not made loans to the PFD. Based on projections of the PFD’s pledged revenues, the City does not anticipate that it will be necessary to make loans to the district. As of December 31, 2016, the outstanding principal of the PFD’s 2015 General Obligation refunding bonds is \$4,820,000.

In addition to the Contingent Loan Agreement, the City pledged \$125,000 annually from its lodging tax revenues in support of debt service on the aforementioned PFD bonds. This amount is transferred annually until the bonds are retired in 2028. In 2016, the \$125,000 lodging tax pledged toward the bonds, as a percentage of total lodging tax revenues and as a percentage of the PFD’s annual debt service, was 13.1% and 30.6%, respectively.

**NOTE 5. LEASE COMMITMENTS**

**Operating Leases** - The City has utilized an operating lease as a competitive alternative for purchasing and maintaining certain equipment. Currently, the City has an operating lease for a Pitney Bowes Inserter/Postage machine. Total cost for this lease was \$34,712 for year ended December 31, 2016.

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

<b>OPERATING LEASE</b>		
<b>YEAR</b>	<b>Pitney Bowes Sorter/Inserter Postage</b>	<b>TOTAL LEASE PAYMENTS PER YEAR</b>
<b>2017</b>	17,357	17,357
<b>TOTAL</b>	\$ 17,357	\$ 17,357

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**Capital Leases** - The City utilized lease agreements to finance certain pieces of equipment. These leases qualify as capital leases for accounting purposes, therefore they have been recorded at the present value of their future minimum lease payments as of the inception date. There were two active capital leases as of December 31, 2016.

Assets acquired through capital leases are as follows:

LEASED ASSETS - BUSINESS-TYPE ACTIVITIES	
#5520-002 BOA PUMPER TRUCK	\$ 342,353
WILDLAND BRUSH TRUCK	343,464
LESS ACCUMULATED DEPRECIATION	(342,798)
<b>TOTAL</b>	<b>\$ 343,019</b>

The future minimum lease obligation and the net present value for these minimum lease payments as of December 31, 2016, were as follows:

CAPITAL LEASES - BUSINESS-TYPE ACTIVITIES			
YEAR	#5520-002 BOA PUMPER TRUCK	WILDLAND BRUSH TRUCK	TOTAL LEASE PAYMENTS PER YEAR
2017	\$ 44,876	\$ 44,286	\$ 89,162
2018	-	44,286	44,286
2019	-	44,286	44,286
2020	-	44,286	44,286
<b>TOTAL MINIMUM LEASE PAYMENTS</b>	<b>\$ 44,876</b>	<b>\$ 177,144</b>	<b>\$ 222,020</b>
<b>LESS: INTEREST</b>	<b>(2,238)</b>	<b>(19,779)</b>	<b>(22,017)</b>
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b>\$ 42,638</b>	<b>\$ 157,365</b>	<b>\$ 200,003</b>

**NOTE 6. INTERFUND TRANSFERS**

The following table provides a summary of interfund transfers for the year ended December 31, 2016.

Transferred From...	Transferred To...				
	General Fund	Other Governmental Funds	Other Enterprise Funds	Internal Service Funds	Total
General Fund	\$ -	\$ 1,589,339	\$ 605,000	\$ 18,450	\$ 2,212,789
Streets Fund	-	537,000	-	36,381	573,381
Other Governmental Funds	335,611	2,316,250	100,000	46,000	2,797,861
Major Enterprise Funds	-	-	55,000	85,000	140,000
Other Enterprise Funds	-	28,578	-	-	28,578
<b>Total</b>	<b>\$ 335,611</b>	<b>\$ 4,471,167</b>	<b>\$ 760,000</b>	<b>\$ 185,831</b>	<b>\$ 5,752,609</b>

In 2016, the City's enterprise operations paid a total of \$8,973,634 in Occupation Taxes to the City's General and Streets Fund. In accordance with GASB Statement No. 34, the expense is reflected as an operating expense in

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the Fund Financial Statements, while payments of this nature are to be reported on the City’s Government-wide Statement of Activities as transfers. Therefore, the amount of transfers reported on the General and Street Fund’s Statement of Revenues, Expenditures, and Changes in Fund Balance are different by this amount.

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

Purpose: Reimbursement of expenses accounted for in one fund with revenues accounted for in another fund and/or required contributions.				
Transferred From...		Transferred To...		
		General Fund	Other Enterprise Funds	Total
			Medical Services	
General Fund		\$ -	\$550,000	\$ 550,000
Other Governmental Funds	Park Reserve	18,000	-	18,000
	Industrial Development	173,106	-	173,106
	Criminal Justice	43,040	-	43,040
	Hotel/Motel Tax	101,465	-	101,465
<b>Total</b>		<b>\$ 335,611</b>	<b>\$ 550,000</b>	<b>\$ 885,611</b>

Purpose: Debt service and/or contributions toward capital and other improvements										
Transferred From...		Transferred To...								
		Other Governmental Funds						Other Enterprise Funds	Internal Service Funds	Total
		Industrial Development	LTGO Bonds Debt Service	Fire Station 74 Debt Service	Street Construction	Park Project Construction	General Govt Construction	Broadband	Equipment Replacement	
General Fund		\$ -	\$ 396,152	\$ 241,487	\$ 393,700	\$ 58,000	\$ 500,000	\$ 55,000	\$ 18,450	\$ 1,662,789
Streets Fund		-	-	-	537,000	-	-	-	36,381	573,381
Other Governmental Funds	Park Reserve	-	61,575	-	-	277,218	-	-	-	338,793
	Industrial Development	-	-	-	149,792	-	-	100,000	-	249,792
	Criminal Justice Sales Tax	-	-	-	-	20,000	-	-	46,000	66,000
	CDBG	-	-	-	125,838	54,143	-	-	-	179,981
	Capital Improvement	33,754	671,963	-	523,576	243,000	45,000	-	-	1,517,293
Fire Station 74 Construction		-	-	110,391	-	-	-	-	-	110,391
Electric Fund		-	-	-	-	-	-	30,000	-	30,000
Water Fund		-	-	-	-	-	-	20,000	-	20,000
Sewer Fund		-	-	-	-	-	-	5,000	75,000	80,000
Solid Waste Fund		-	-	-	-	-	-	-	10,000	10,000
Other Enterprise Funds   Broadband		-	28,578	-	-	-	-	-	-	28,578
<b>Total</b>		<b>\$ 33,754</b>	<b>\$ 1,158,268</b>	<b>\$ 351,878</b>	<b>\$ 1,729,906</b>	<b>\$ 652,361</b>	<b>\$ 545,000</b>	<b>\$ 210,000</b>	<b>\$ 185,831</b>	<b>\$ 4,866,998</b>

**NOTE 7. RISK MANAGEMENT**

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



**Washington Cities Insurance Authority (WCIA)**

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

The City of Richland paid \$881,219 in premiums for coverage in 2016.

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

**Medical, Dental and Vision Insurance Benefits** - The City offers comprehensive medical coverage on a self-insured basis. Reinsurance for medical benefits is provided by Gerber Life Insurance Company. Dental benefits are entirely self-insured. Vision coverage is a fully funded program. Both the City and the employee share in the premium cost of medical and dental benefits. Medical and dental benefits are administered by Zenith Administrators Inc. utilizing the First Choice Health Network for medical benefit providers. Stop Loss coverage is provided by Gerber Life Insurance Company. The Stop Loss premium was \$334,446 in 2016, of which \$34,670

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was allocated to retiree coverage in the Post employment healthcare plan. Vision coverage is provided by Vision Service Plan. The City accounts for all of these activities in the Employee Benefits Internal Service Fund. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier.

Medical, dental and vision coverage requires all claims to be submitted and paid within one year of the service date. Due to the short time frame, liabilities for outstanding payments have not been discounted. There have been no outstanding claims liabilities for which annuity contracts have been purchased in the claimant’s names and for which the related liabilities have been removed from the balance sheet. All City healthcare claims are processed through this fund and monthly journal entries are completed to move retiree claims to the Post Employment Healthcare Plan Fund. The City records estimates of incurred but not reported claims as an expense offset by liability for estimated claims payments. The basis for estimating liabilities for unpaid claims and administrative expense is based on an average of the prior 24 months of fund expense. The fund maintains a reserve for estimated claims outstanding at year end and the related administrative expense. The reserve was increased by \$293,271 in 2016 and is based on an estimated sixteen weeks of fund expense.

As of December 31, 2016, the estimated claims reserve has \$3,091,648 set aside for estimated claims liabilities. Settlements have not exceeded available resources for these benefits in the previous three years.

The following is a reconciliation of changes in the aggregate liabilities for healthcare claims for the fiscal years 2014 through 2016:

EMPLOYEE HEALTHCARE BENEFITS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2016	2,798,377	7,343,516	293,271	7,343,516	3,091,648
2015	2,143,377	7,496,860	655,000	7,496,860	2,798,377
2014	2,092,774	6,970,513	50,603	6,970,513	2,143,377

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

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

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

Unemployment claims are self-insured with the City retaining all risk for claims. Workers' Compensation and Unemployment activities are accounted for in the Workers' Compensation and Unemployment internal service funds, respectively. There has been no significant reduction in insurance coverage from the previous year, nor have there been any claims in excess of the insurance coverage purchased through the commercial carrier. The basis for estimating liabilities for unpaid claims is based on an analysis of the subsequent year's claims processed for activities incurred in the current year. There are no outstanding claims liabilities for which annuity contracts have been purchased in the claimant's names and for which the related liabilities have been removed from the balance sheet. The Workers' Compensation Fund and Unemployment Fund have \$139,313 and \$38,453, respectively set aside in reserves for potential incurred but not reported claims.

The following tables reflect a reconciliation of changes in the aggregate liabilities for claims for the fiscal years 2014 through 2016:

WORKERS COMPENSATION CLAIMS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2016	112,370	692,655	26,973	692,655	139,313
2015	111,049	564,221	1,321	564,221	112,370
2014	98,035	858,900	16,014	858,900	114,049

UNEMPLOYMENT CLAIMS					
Year	Claims Liability January 1	Annual Claims Incurred	Change in Estimate of Incurred But Not Reported Claims	Annual Claims Paid	Incurred But Not Reported Claims Estimate at Year End
2016	16,371	179,056	(22,083)	179,056	38,453
2015	16,504	67,283	(133)	67,283	16,371
2014	23,686	83,803	(7,182)	83,803	16,504

**NOTE 8. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS**

**Post-Employment Healthcare Plan- Citywide**

The City implemented GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" effective January 1, 2008. GASB No. 45 requires the City to accrue other post-employment benefits (OPEB) expense related to its post-employment healthcare plan based on a computed annual required contribution (ARC) that includes the current period's service cost and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a "pay-as-you-go" basis, the City, under GASB No. 45 has recorded a liability of \$5,363,941 for the difference between the actuarially calculated ARC and the estimated contributions made since the adoption of GASB No. 45. This liability is included in other noncurrent liabilities in the accompanying December 31, 2016 balance sheet for the Post Employment Healthcare Plan Fund. The decrease in Net OPEB obligation for 2016 was \$75,245.

## **Plan Description**

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

The City, as plan administrator, has sole authority to determine eligibility for benefits and construe the terms of the plan, including modifying or terminating the plan, except in the case of bargaining unit employees which may require contract negotiation for plan changes. The financial reports for the Post-Employment Healthcare Program are included in the City’s annual financial report and are not issued as a stand-alone report. You can request the City’s annual financial report from the City of Richland, 505 Swift Boulevard, Richland, WA 99352.

The program allows eligible retirees to purchase the City’s insurance benefits at a reduced rate. As of December 31, 2016, the eligibility criterion for the plan was as follows:

- Full time city employee
- Age 50 or permanent disability or PERS I retiree with 30 years of City service
- 10 years of City service
- Eligible to stay on plan to age 65 or Medicare eligibility
- Spouse eligible to stay on plan to age 65 or Medicare eligibility
- Eligible dependents up to age 26
- LEOFF I dependents
- Immediate election upon termination

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

**Changes to the Plan**

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

	2013	2014	2015	2016
Active Participants	293	219	146	131
Retirees & Beneficiaries	91	84	82	86
Opt out Payments	\$ 285,469	\$ 307,660	\$ 274,338	\$ 228,621

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

Plan Participants	Employee Contribution (deposited to RHS plan)	City Contribution <sup>1-</sup> Contributed to Fund 522 <sup>2-</sup> Contributed to employee RHS Plan	Second Payroll in January Mandatory PTO Buy Out to Transfer to RHS If PTO Balance 400-599 Hours	Second Payroll in January Mandatory PTO Buy Out to Transfer to RHS If PTO Balance 600-800 Hours
<sup>1</sup> Existing Emp - OPEB	1% Salary	\$3190 Annual	20 Hours	40 Hours
<sup>2</sup> New Employee in RHS	1% Salary	1% Salary	20 Hours	40 Hours
<sup>2</sup> Existing Employee	1/2% Salary	1% Salary	20 Hours	40 Hours

**Funding Policy**

The Post-Employment Health Insurance Program is funded on a “pay as you go” basis. The contribution requirements of plan members and the City are established by the City. For the year ending December 31, 2016, the City contributed \$416.67 monthly per eligible active employee to the program. The City’s total contribution to the plan in 2016 was \$947,936 (\$561,328 post retirement contributions and \$386,608 from reserves). The retiree required contribution to the plan was \$346.70 (Single) or \$693.40 (with spouse) per month, for Comprehensive Plan coverage or \$709.74 (single/or married) per month for the PPO plan

(currently utilized by active employees –and grandfathered retirees). Retired plan members paid premium payments totaling \$350,889 in 2016.

**Annual OPEB Cost and Net OPEB Obligation**

The basis for the City’s annual OPEB cost (expense) is the Annual Required Contribution (ARC) as calculated by an actuary. The ARC represents a level of funding that, if paid on an ongoing basis, would be projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed ten years. The following table displays the components of the City’s annual OPEB cost, the amount contributed to the Health Plan, and changes in the City’s net OPEB obligation to the Post Employment Healthcare Plan for the year ended December 31, 2016.

<b>Components of Annual OPEB Cost</b>	
Annual Required Contribution (ARC)	\$ 990,244
Interest on net OPEB obligation	135,980
Adjustment to annual required contribution	<u>(253,533)</u>
Annual OPEB cost (expense)	872,691
Employer Contributions	<u>(947,936)</u>
Change in net OPEB obligation	(75,245)
Net OPEB obligation - Beginning of Year	<u>5,439,186</u>
Net OPEB obligation - End of Year	<u><u>\$ 5,363,941</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Post Employment Health Plan and the net OPEB obligation follow:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
12/31/2014	899,578	829,724	92.23%	5,232,025
12/31/2015	904,142	696,981	77.09%	5,439,186
12/31/2016	872,691	947,936	108.62%	5,363,941

The employer contribution consists of payments to the third party administrator for claims, administrative expense and stop loss premiums, less the employee premiums paid to the plan.

**Funded Status and Funding Progress:** the funded status of the Post Employment Healthcare Plan as of December 31, 2016 follows:

Actuarial Accrued Liability (AAL) - Entry Age Normal	\$10,775,455
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>10,775,455</u>
Funded Ratio	0.00%
Covered Payroll	\$ 16,337,048
UAAL as a Percentage of Covered Payroll	65.96%

\*The Post Employment Healthcare Plan is not a trust or an equivalent to a trust and as such the assets of the plan cannot be considered in the funding progression of the plan.

**Actuarial Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with expectations and new estimates are made about the future. The most recent actuarial study was performed December 31, 2016 by Healthcare Actuaries. This report includes liabilities for projected taxes due under the Affordable Care Act’s excise tax on high cost health benefit plans (Cadillac Tax) which is set to begin in 2020. There were no changes in assumptions from the 2014 study.

The January 1, 2015 valuation used the entry age normal actuarial cost method. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expense) and an initial annual healthcare cost trend rate of 8.0% for pre-Medicare expenses, to an ultimate rate of 3.8% after 61 years. The trend for the Excise Tax threshold is 0% until 2020, when a trend rate of 4.24% is used. The trend for all future years after that year is 3.24%. All trend rates include a 3.0% inflation assumption. The UAAL is amortized as a level dollar amount on an open basis over 30 years.

GASB No. 45 requires a schedule of funding progress that presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarially accrued liability for benefits. This schedule is presented as Required Supplementary Information (RSI) in the section immediately following the Notes to the Financial Statements.

**Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The City’s contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan and all plan investments are reported at fair market value as of December 31, 2016.

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

The City of Richland provides postemployment health care benefits via two single employer defined benefit OPEB plans in accordance with state statute for retired police officers and firefighters who are eligible under the Law Enforcement Officers' and Firefighters (LEOFF) plan 1 retirement system. The LEOFF I OPEB plans for Police and Fire are administered by the Police and Fire Pension plans discussed in more detail in Note 9.

**Plan Description**

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

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

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

As of December 31, 2016, there were 32 retired police officers and 29 retired fire fighters collecting health care benefits from the LEOFF I OPEB plans. The total cost for this post-employment benefit was \$407,903 for Police and \$273,947 for Fire in 2016. Benefits and refunds are recognized when their related liabilities are incurred.

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

GASB Statement 43, Financial Reporting for Postemployment Benefit Plans, mandates separate disclosure for OPEB plans, including those administered by a defined benefit Pension Plan. In 2016 Healthcare Actuaries completed roll forward actuarial evaluations for the Police OPEB Plan, the Fire OPEB Plan and separate evaluations for the Police Pension Plan and the Fire Pension Plan. As of December 31, 2016, there was \$557,129 in the Fire Pension Fund, and \$212,734 in the Police Pension Fund, held in Trust for OPEB benefits.



**Basis of Accounting**

The fund financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. The City’s contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan and all plan investments are reported at fair market value as of December 31, 2016.

**Funding Policy**

The City does not require retiree contributions. All contributions are reported in the Police Pension and Relief Fund 612 and Fire Pension and Relief Fund 611. These funds provide funding for both OPEB and Pension Benefits to LEOFF 1 employees. Contributions for the fire plan are derived from an annual property tax levy of up to \$ .2250 per \$1,000 of assessed property value. In addition, on an annual basis, the State contributes a fixed amount based on the number of active firefighters per RCW 41.16.050(2). Contributions for the police plan are derived from contributions by the City’s General Fund. The City contributes the cost of medical claims paid on behalf of members of both plans through the Employee Benefit Fund. Contributions are recognized when they are earned and become measurable.

Under current law, the LEOFF I OPEB plans need only receive enough revenue to fund the benefits on a “pay-as-you-go” basis. The City’s policy is to continue to fund the plans at a level where the funds do not use the accumulated plan assets for current expenditures. Employee contributions are not required. There is no legal level of reserves required and there are no long term contracts for contributions to the plan.

**Annual OPEB Cost and Net OPEB Obligation**

The basis for the City’s annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess).

The following table displays the components of the City’s annual OPEB cost, the amount contributed to the plan, and changes in the City’s net OPEB obligation for year ended December 31, 2016.

<b>Change in Net OPEB Obligation For Fiscal Year Ending 12/31/16</b>		
	<b>Fire</b>	<b>Police</b>
Annual Required Contribution (ARC)	\$ 1,459,873	\$ 1,694,782
Interest on net OPEB obligation	53,852	51,010
Adjustment to annual required contribution	<u>(240,121)</u>	<u>(181,243)</u>
Annual OPEB cost (expense)	1,273,604	1,564,549
Employer Contributions	<u>(273,947)</u>	<u>(407,903)</u>
Change in net OPEB obligation	999,657	1,156,646
Net OPEB obligation - Beginning of Year	<u>2,154,091</u>	<u>2,040,387</u>
Net OPEB obligation - End of Year	<u>\$ 3,153,748</u>	<u>\$ 3,197,033</u>

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Fire and Police OPEB plans and the net OPEB Obligation follow:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Employer Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
<b>Fire OPEB Plan</b>				
12/31/2014	1,455,547	415,216	28.53%	1,099,416
12/31/2015	1,363,521	308,846	22.65%	2,154,091
12/31/2016	1,273,604	273,947	21.51%	3,153,748
<b>Police OPEB Plan</b>				
12/31/2014	1,699,553	691,514	40.69%	1,043,354
12/31/2015	1,624,129	627,096	38.61%	2,040,387
12/31/2016	1,564,549	407,903	26.07%	3,197,033

**Funding Status**

The funded status of the Police and Fire OPEB Plans as of December 31, 2016 follows:

<b>Funded Status of the Plan</b>	<b>Fire</b>	<b>Police</b>
Actuarial Accrued Liability (AAL) - Entry Age Normal	\$11,218,118	\$15,761,882
Actuarial Value of Plan Assets	557,129	212,734
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 10,660,989</u>	<u>\$ 15,549,148</u>
Funded Ratio	5.0%	1.3%
Covered Payroll	\$ -	\$ 92,392
UAAL as a Percentage of Covered Payroll	N/A	16830%

**Actuarial Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB Statement No. 45 requires employers to calculate an annual accrued cost and to disclose the cumulative difference between the annual accrued costs and amounts actually prefunded for their OPEB plans. The most recent actuarial study was performed by Healthcare Actuaries as of December 31, 2016. Separate evaluations were performed for both the Police and Fire Pension OPEB Plans. A list of changes since the prior valuation follow:

- 1) Updated discount rate from 2.50% to 3.75%

Actuarial methods and assumptions used to complete the 2016 actuarial valuation for the Fire and Police OPEB plans are presented in the following table.

<b>ACTUARIAL METHODS AND ASSUMPTIONS</b>	
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Closed
Amortization Period	FIRE 10 Years-POLICE 13 Years
Inflation Rate based on CPI for Seattle	3% per year
Discount Rate	3.75%
Health Care Cost Trend for 2016	7%
Trending down over 61 years- ultimate rate 3.8%	7.0%-3.8%
Healthy Mortality – RPG-2014 mortality table (headcount weighted), total dataset, fully generational with mortality improvement scale MP- 2014 set-back one year for males and set forward one year for females.	

GASB No. 45 requires a schedule of funding progress and a schedule of contributions which is presented as Required Supplementary Information (RSI) in the section immediately following the Notes to the Financial Statements.

**NOTE 9. PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ (29,950,364)
Pension assets	\$ 3,918,359
Deferred outflows of resources	\$ 6,217,312
Deferred inflows of resources	\$ (875,383)
Pension expense/expenditures	\$ 3,566,990

**State Sponsored Pension Plans**

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

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

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

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

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

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>

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

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age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

With a benefit that is reduced by three percent for each year before age 65; or

With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>

The City's actual PERS plan contributions were \$1,222,774 to PERS Plan 1 and \$1,564,940 to PERS Plan 2/3 for the year ended December 31, 2016.

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

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

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

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

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

#### Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

#### Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.23%</b>	<b>8.41%</b>
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.59%</b>	<b>8.41%</b>

The City’s actual contributions to the plan were \$677,438 for the year ended December 31, 2016.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$449,272.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB’s capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	



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

The table below presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$14,440,867	\$11,975,184	\$9,853,311
PERS 2/3	25,753,621	13,987,564	(7,281,355)
LEOFF 1	(771,258)	(1,298,325)	(1,748,850)
LEOFF 2	7,347,298	(2,620,034)	(10,132,57)

**Pension Plan Fiduciary Net Position**

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

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

At June 30, 2016, the City reported a total pension liability of \$25,962,748 (this amount does not include the City’s police and fire pension trust amounts as those are discussed in the Local Governments Pension Trust Funds section) and a total pension asset of (\$3,918,359) for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$11,975,184
PERS 2/3	13,987,564
LEOFF 1	(1,298,325)
LEOFF 2	(2,620,034)

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

	<b>LEOFF 1 Asset</b>	<b>LEOFF 2 Asset</b>
Employer’s proportionate share	(1,298,325)	(2,620,034)
State’s proportionate share of the net pension asset associated with the employer	(8,781,839)	(1,708,071)
TOTAL	(10,080,164)	(4,328,105)

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

	<b>Proportionate Share 6/30/15</b>	<b>Proportionate Share 6/30/16</b>	<b>Change in Proportion</b>
PERS 1	0.221151%	0.222982%	0.001831%
PERS 2/3	0.275857%	0.277811%	0.001954%
LEOFF 1	0.125802%	0.126016%	0.000214%
LEOFF 2	0.411289%	0.450464%	0.039175%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2016, the City recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$778,894
PERS 2/3	1,946,817
LEOFF 1	(170,069)
LEOFF 2	817,770
<b>TOTAL</b>	<b>3,373,412</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS PLAN 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	\$301,516	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	\$616,032	-
<b>TOTAL</b>	<b>\$917,548</b>	<b>-</b>

<b>PERS PLAN 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$744,828	(\$461,752)
Net difference between projected and actual investment earnings on pension plan investments	\$1,711,674	-
Changes of assumptions	\$144,573	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$61,654	(\$140,252)
Contributions subsequent to the measurement date	\$789,992	-
<b>TOTAL</b>	<b>\$3,452,721</b>	<b>(\$602,004)</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	\$131,973	-
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
<b>TOTAL</b>	<b>\$131,973</b>	<b>-</b>

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<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$359,015	-
Net difference between projected and actual investment earnings on pension plan investments	\$941,483	-
Changes of assumptions	\$9,879	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$26,077	(\$264,135)
Contributions subsequent to the measurement date	\$349,943	-
<b>TOTAL</b>	<b>\$1,686,397</b>	<b>(\$264,135)</b>

<b>TOTAL</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$1,103,843	(\$461,752)
Net difference between projected and actual investment earnings on pension plan investments	\$3,086,646	-
Changes of assumptions	\$154,452	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$87,731	(\$404,387)
Contributions subsequent to the measurement date	\$1,755,967	-
<b>TOTAL</b>	<b>\$6,188,639</b>	<b>(\$866,139)</b>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>	<b>PERS 2/3</b>	<b>LEOFF 1</b>	<b>LEOFF 2</b>
2017	(\$74,240)	(\$29,509)	(\$27,272)	(\$59,398)
2018	(74,240)	(29,509)	(27,272)	(59,398)
2019	276,910	1,304,659	114,298	731,328
2020	173,085	815,084	72,220	488,992
2021				(29,206)
Thereafter				

**Local Governments Pension Trust Funds**

**Plan Description**

The City of Richland administers two single employer defined benefit relief and pension plans for certain law enforcement officers (Police Relief and Pension Plan) and firefighters (Fire Relief and Pension Plan). These plans administer defined benefit pension and OPEB plans for both the LEOFF I Police and Fire retirees; the OPEB plans are discussed in detail in note 8. These pension and OPEB plans include some participants that were hired prior to the creation of the LEOFF plans. At the time of implementation of the LEOFF plans, the State assumed the major portion of the liabilities for future retirement benefits for members still in active service on March 1, 1970 per RCW 41.26. The City retained the responsibility for all benefits payable to members or their beneficiaries who retired prior to or who were still active on March 1, 1970 under RCW 41.18 and 41.20. Employees still active on March 1, 1970 are entitled to the greater of the benefits under either the prior Police or Fire Pension or the LEOFF plan. The City’s plan must meet the cost of the excess of the pension benefit over the LEOFF benefit. At this time all members of the plan are classified as LEOFF 1 members or LEOFF 1 and prior act participants. As of December 31, 2016, there are only retirees in these plans as the last active LEOFF 1 employee retired in 2015.

The Pension Boards have the authority for establishing and amending fund policies as set forth by State statutes for the Fire Relief and Pension Plan and the Police Relief and Pension Plan. The boards are comprised as follows: Fire Relief and Pension Plan: Mayor or Mayor Pro-Tem, City Clerk, City Treasurer and two elected firefighters and one alternate. Police Relief and Pension Plan: Mayor, Mayor Pro-Tem, City Clerk, City Treasurer and three elected police officers. The elected board members can be active or retired and must be either participants in the plan or LEOFF 2 participants elected by participants in the plan.

The LEOFF 1 Fire and Police Pension Plans are included in the fiduciary fund financial statements of the City and Net Pension Liability (NPL) is reported for both plans in the Statement of Net Position.

As of December 31, 2016, there was \$443,147 in the Fire Pension Fund, and \$175,703 in the Police Pension Fund, restricted for pension benefits. Membership in the Pension Plan as of December 31, 2016 is comprised of 39 Fire retirees and beneficiaries and 37 Police retirees and beneficiaries.

<b>Membership Composition:</b>	<b>Firemens Pension</b>	<b>Police Pension</b>
No. of retirees/Beneficiaries	39	37
No. Fully vested	39	37
No.Receiving Full Pension/Medical Benefits	16	17
No. Receiving Medical Benefits Only	13	16
No Receiving Pension Benefits Only	10	4

**Benefits Provided**

Chapters 41.18, 41.20 and 41.26 of the Revised Code of Washington (RCW) sets forth the principal provisions of the Fire Relief and Pension and Police Relief and Pension plans. The statutes provide for retiree healthcare benefits, a death benefit and pension benefits for eligible retirees. Benefit terms provide for cost of living adjustments to each member’s retirement benefit. There are two types of increases: escalation by salary in proportion to the current salary of the rank from which the retiree retired from, or an increase proportionate to

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the increase in the Seattle-area CPI, with the change computed annually. Regardless of the increase (or decrease) in CPI, the benefits are increased at least 2% each year.

**Rate of Return**

For the year ended December 31, 2016, the annual money weighted rate of return on Fire and Police Pension plan investments, net of pension plan investment expense, was 6.54% and 7.54% respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested. The Police and Fire Relief and Pension Plans do not have an investment policy and their investments consist primarily of long held mutual funds, cash and inter-fund loans receivable. Investments are reported at quoted market price at year end.

The value of investments for both plans as of December 31, 2016 follows:

<b>Investment Composition</b>	<b>Fire Pension</b>	<b>Police Pension</b>
Lord Abbet Mutual Funds	\$ 464,656	\$ 239,852
CD Gesa Credit Union	\$ 200,000	\$ -

The Plans also invest cash assets in short term inter-fund loans that pay higher yields than pooled investments and certificates of deposit. As of December 31, 2016 the Fire Pension Plan had the following loan balances outstanding:

<b>Interfund Loans Receivable</b>			
<b>Outstanding Balance as of 12/31/16</b>	<b>Payable to</b>	<b>Payable From</b>	<b>Interest Rate</b>
\$ 22,380	Fire Pension Fund	Special Assessment Fund	5.25%
\$ 5,424	Fire Pension Fund	Equipment Replacement Fund	3.00%

**Contributions**

Pursuant to RCW 41.16.060, contributions for the fire plan are derived from an annual property tax levy of up to \$ .2250 per \$1,000 of the assessed property value. In addition, currently the City receives a contribution from the State for Fire Insurance Premium Tax. The State contributes a fixed amount based on the number of active firefighters per RCW 41.16.050(2). RCW 41.20.13 directs the City to contribute certain General Fund revenues to fund annual expenses of the police pension plan. Contributions are recognized when they are earned and become measurable.

Under current law, the pension funds need only receive enough revenue to fund the benefits on a year-to-year basis. The City’s policy is to continue to fund the plans at a level where the funds do not use the accumulated plan assets for current expenditures. Employee contributions are not required. There is no legal level of reserves required and there are no long term contracts for contributions to the plan.

The plans do not offer the Deferred Retirement Option Program (DROP).

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**Net Pension Liability**

The components of the net pension liability of both plans as of December 31, 2016 are as follows:

Net Pension Liability	Fire Pension December 31, 2016	Police Pension December 31, 2016
Total Pension Liability	\$ 1,845,763	\$ 2,760,704
Less: Plan Fiduciary Net Pension	\$ 443,147	\$ 175,703
Net Pension Liability	\$ 1,402,616	\$ 2,585,001
Plan Fiduciary Net Position as a percentage of the total Pension Liability	24.01%	6.36%

The following schedule describes the changes to the Net Pension Liability during 2016:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - 2016		
	Fire	Police
<b>Total Pension Liability</b>		
Service Cost	\$ -	\$ -
Interest	92,704	136,198
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, included refunds of employee contributions	(202,023)	(198,894)
<b>Net change in total pension liability</b>	(109,319)	(62,696)
<b>Total pension liability - beginning</b>	1,955,082	2,823,401
<b>Total pension liability - ending (a)</b>	\$ 1,845,763	\$ 2,760,705
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 177,494	\$ 217,876
Contributions - employee	-	-
Net investment income	28,020	12,116
Benefit payments, including refunds of employee contributions	(202,023)	(198,894)
Administrative expense	(7,879)	(7,815)
Other	5,837	(5,426)
<b>Net change in plan fiduciary net position</b>	1,449	17,857
<b>Plan fiduciary net position - beginning</b>	441,699	157,846
<b>Plan fiduciary net position - ending (b)</b>	443,148	175,703
<b>City's net pension liability - ending (a) - (b)</b>	\$ 1,402,616	\$ 2,585,001
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	24.01%	6.36%
<b>Covered-employee payroll</b>	\$ -	\$ -
<b>City's net pension liability as a percentage of covered-employee payroll</b>	n/a	n/a

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**Pension Expense**

For the year ended December 31, 2016, the City recognized pension expense as follows:

Fire Pension     \$71,588  
Police Pension   \$121,990

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to each pension plan from the following sources:

<b>FIRE PENSION</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	\$18,181	(\$6,086)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to measurement date	-	-
<b>TOTAL</b>	<b>\$18,181</b>	<b>(\$6,086)</b>

<b>POLICE PENSION</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	\$10,492	(\$3,156)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to measurement date	-	-
<b>TOTAL</b>	<b>\$10,492</b>	<b>(\$3,156)</b>



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Amounts reported as deferred outflows and deferred inflows of resources related to Fire and Police pensions will be recognized in pension expense as follows:

<b>Year Ended December 31</b>	<b>FIRE PENSION</b>	<b>POLICE PENSION</b>
2017	\$2,947	\$1,945
2018	2,947	1,945
2019	2,947	1,945
2020	3,255	1,501
2021	-	-

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3.0%
Investment Rate of Return	5.0%
Amortization period	10 Years

The long-term expected rate of return on pension plan investments assumption was based on the nature and mix of current and expected pension plan assets over a period of time representative of the expected length of time between the first day of service and the date of the last benefit payment.

Healthy life mortality rates were based on the RP-2014 mortality table, total dataset, fully generational projected with Scale MP-2014, set back one year for males and set forward one year for females. Disabled life mortality rates were based on the RP-2014 mortality table, total dataset, fully generational projected with Scale MP-2014, set back two years for males and females.

**Discount Rate**

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed City contributions were equal to the actuarially calculated contribution of a 10 year closed amortization of the unfunded actuarial liability at January 1, 2014 plus assumed administrative expenses. This amount includes revenue received from Fire Insurance premiums. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of both plans, calculated using the discount rate of 5.0% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 6.0%, or one percentage point higher, 4.0%, than the current rate

<b>City's Net Pension Liability</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Fire Net Pension Liability	\$ 1,552,610	\$ 1,402,616	\$ 1,272,548
Police Net Pension Liability	\$ 2,843,740	\$ 2,585,001	\$ 2,363,922

### **Actuarial Assumptions**

The most recent actuarial study for both the Fire and Police Pension plans was performed by Healthcare Actuaries as of January 1, 2016. All actuarial assumptions were consistent with the previous actuarial study.

### **Financial Statement**

Financial statements for the Fire Pension Fund and the Police Pension Fund are included in the financial statements of the City of Richland and may be obtained at the City of Richland, 505 Swift Blvd., Richland, Washington 99352.

### **NOTE 10. WHOLESALE POWER SUPPLY CONTRACTS**

Since 1958, the City of Richland has traditionally purchased its wholesale electric power (energy and capacity) requirements from the Bonneville Power Administration (BPA) for resale to its retail customers. BPA, one of four, Federal Power Marketing Administrations (PMA), sells the output from the Federal Columbia River Power System (FCRPS), which principally consists of hydroelectric generating facilities owned by the U.S. Corps of Engineers and the Bureau of Reclamation, and the output from Energy Northwest's Columbia Generating Station (CGS) nuclear plant. These resources are supplemented by BPA with numerous regional contractual and power exchange acquisitions. Regional consumer-owned wholesale utility customers like the City of Richland purchase Federal power under the preference clause of the Bonneville Power Act, allowing them priority access to FCRPS output. BPA also owns and maintains a regional high voltage transmission system, which delivers wholesale power to Richland's eight points of delivery. The City has separate agreements with BPA for power and integrated network transmission services, expiring in 2028 and 2031 respectively.

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

Since 2002, Richland has been a member of Northwest Requirement Utilities (NRU), which represents the power and transmission interests of 54 consumer-owned electric utilities. In anticipation of operating under BPA's new Regional Dialogue power sale agreements, and desiring more control over their current and future Tier 2 power resource options, 21 NRU members established a new entity, Northwest Energy Management Systems (NEMS), to provide administrative and non-Federal power management services. NEMS members include municipalities, public utility districts, and rural cooperatives. In order to accommodate State and organizational legal mandates, the member utilities created two additional entities for the purpose of actual resource acquisition. Northwest Intergovernmental Energy Supply (NIES) represents municipal and public utility district members, while Northwest Energy Supply Cooperative (NESC) represents cooperatives. Richland belongs to NIES. Both NIES and NESC have agreements that allow NEMS to provide all of their necessary administrative functions required to procure non-Federal resources. NESC and NIES signed take-or-pay power purchase agreements with Shell Energy for delivery of a flat block Tier 2 product for the FY2012-2014 period. Under a tight-pool cost-sharing policy, Richland took 50% of its FY2012-FY2014 Tier 2 power requirements from the Shell pool; the remaining 50% was

acquired from BPA as a Tier 2 short-term market-based product. In response to BPA's five-year resource purchase periods, NESC and NIES members committed to an optional mix of Tier 2 resources for FY2015-2019. Richland elected to meet all of its Tier 2 requirements through BPA for this period using a combination of fixed and stepped market-based products. If loads grow beyond current expectations, NEMS members have the option to acquire non-Federal power through NESC and NIES resource-specific pools. NEMS members actively evaluate resource acquisition opportunities, particularly for the post-2019 era. This effort includes considering renewable resources necessary to meet State renewable portfolio standards.

The City is also a long-standing member of Energy Northwest (EN), a joint operating agency with 27 Washington consumer-owned electric utility members. Richland holds a less than 2% interest in each of EN's nuclear generating Projects 1, 2, and 3. Only Project 2, Columbia Generating Station (CGS), is still operating. Projects 1 and 3 have been terminated. Richland's pro-rata share of EN costs are included in the City's BPA wholesale priority firm power billings. BPA acquires the output of CGS and reimburses EN for its operating and debt costs under a Direct Pay Agreement. The City remains obligated to pay its share of the cost of retiring the bonds for Projects 1 and 3, should the Direct Pay Agreement be discontinued. The City may also be obligated to pay, either as a participant or as a member of EN, the costs of project site restoration.

#### **NOTE 11. CONTINGENCIES AND LITIGATIONS**

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

Based upon current evaluation of the lawsuits, the City's legal counsel indicates that the City's exposure does not exceed the amount of reserves available for payment. The City is currently actively defending three lawsuits involving allegations of negligence/personal injury, for which it believes it has defensible positions and does not have an approximation of potential liability. Insurance coverage is available for any damages awarded, with the exception of punitive damages, which are highly unlikely.

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

#### **NOTE 12. SUBSEQUENT EVENTS**

##### **Transportation Benefit District**

On April 4, 2017, the City of Richland established a Transportation Benefit District (TBD), specifying the boundaries of the TBD, establishing a Governing Board, specifying the transportation improvements to be funded by the TBD, approving other provisions related to the establishment of the TBD as provided for by State law, and adopting a new Chapter 5.51 to Title 5 of the Richland Municipal Code. The TBD is to provide adequate levels of funding for completion of the Duportail Bridge and the Pavement Preservation Program. The TBD will be funded by an annual \$20 vehicle licensing fee set to take effect January 1, 2018.

### **Debt Issuance**

In June 2017 the City closed two bond issues to fund projects in the City's Capital Improvement Plan and refinance other outstanding debt. LTGO bonds with a par amount of \$16,130,000 will provide \$15 million needed to finance construction of a new City Hall facility, which will consolidate staff currently working in three separate obsolete buildings. The bonds also refunded \$3,505,000 par value 2006 LTGO bonds plus accrued interest. Waterworks revenue refunding bonds with a par amount of \$12,455,000 will fund \$10.6 million in Water and Sewer system improvements, refinanced a \$408,000 ULID line of credit and advance refunded \$2,455,000 in outstanding 2009 Waterworks bonds.

### **NOTE 13. SERVICE CONCESSION ARRANGEMENTS**

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

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

In 2007 the City entered into an agreement with HRMC, Inc. (HRMC), under which HRMC operates and collects user fees from the Horn Rapids ORV Park for a five-year term, renewable for three additional five-year terms. HRMC pays the City a percentage of gross receipts from the revenues generated by operation of the ORV Park as follows: 2% of the first \$300,000 in annual gross receipts, and 3% of annual gross receipts exceeding \$300,000. HRMC is required to operate and maintain the ORV Park in accordance with the Agreement. At the end of the agreement term HRMC is required to "return the premises to the City in same or better condition, reasonable wear and tear accepted." As a result, assets provided by the transferee are not currently depreciated. In addition, HRMC constructed and will construct certain improvements to the facilities which may be either permanent or removable in nature. Permanent structures constructed by HRMC on the premises become property of the City upon the expiration of the agreement's final term. The City reports the ORV park and related structures as a governmental capital asset with a carrying amount of \$2,373,720 at year end, and reports a deferred inflow of resources in the amount of \$1,188,500 related to the structures that have been constructed by HRMC.

### **NOTE 14. FUND BALANCE CLASSIFICATION**

As described Note 1, Summary of Significant Accounting Policies, fund balances in the Governmental Fund Balance Sheet are classified as non-spendable, restricted, committed, assigned, and unassigned based on the level of constraints on expenditure of resources. The Balance Sheet reports the classification of fund balance by function. Debt Service is considered a specific use, rather than a governmental function. The following table describes in more detail the purpose of each fund balance classification, except for balances related to non-spendable, debt service, and unassigned fund balances:

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<b>Purpose of Restricted, Committed and Assigned Fund Balance, as displayed on the Governmental Funds Balance sheet (Other than debt service)</b>		
<u>Balance Sheet Description</u>	<u>Amount</u>	<u>Purpose</u>
<b>Restricted For:</b>		
Capital Improvements	3,212,630	Real Estate Excise Tax restricted for capital improvements
	684,657	Acquisition and development of public open space (parks)
	166,932	Restricted by franchise agreement for cable broadcast equipment
	<u>4,064,219</u>	
Public Safety	1,586,596	Criminal Justice Sales Tax restricted to Criminal Justice purposes
	52,354	Police confiscations
	<u>1,638,950</u>	
Economic Environment	4,282,584	Improvements in RAISE area so spur economic development
	141,698	Contingency for performance of Hanford Reach Interpretive Center
	826,474	Lodging Tax proceeds restricted for tourism promotion
	1,401,407	HUD Program for owner occupies housing rehabilitation
	1,446,350	HUD Program for home down payment assistance
	18,578	Restricted for public art
	<u>8,117,091</u>	
Other Purposes	134,187	Administration of ICMA deferred compensation plans
	100,896	Police Operations
	<u>235,083</u>	

<b>Purpose of Restricted, Committed and Assigned Fund Balance, as displayed on the Governmental Funds Balance sheet (Other than debt service)</b>		
<u>Balance Sheet Description</u>	<u>Amount</u>	<u>Purpose</u>
<b>Committed For:</b>		
Capital Improvements	452,951	Library capital improvements
	781,342	Park construction projects
	114,724	Streets construction projects
	726,146	Swift Blvd corridor/City Hall Improvements
	<u>2,075,163</u>	
Public Safety	61,374	Police Operations
	25,000	Police - Narcotics investigations
	118,989	Fire Equipment
	<u>205,363</u>	
Economic Environment	92,684	Commercial Improvement Program
	2,382,845	Industrial Development
	<u>2,475,529</u>	
<b>Assigned To:</b>		
Public Safety	107,678	Police operations and special projects
	130	Fire Department operations
	<u>107,808</u>	
Transportation	437,346	Maintenance of streets and rail infrastructure
	<u>437,346</u>	





# REQUIRED SUPPLEMENTARY INFORMATION





**OTHER POST EMPLOYMENT BENEFITS**

**Schedule of Funding Progress for Post-Employment Healthcare Plan**

The following table provides the components of funding progress for the three most recent actuarial valuations for the City's Post-Employment Healthcare Plan.

SCHEDULE OF FUNDING PROGRESS FOR THE POSTEMPLOYMENT HEALTHCARE PLAN						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ -	\$ 11,396,659	\$ 11,396,659	0.00%	\$ 28,016,000	40.68%
1/1/2015	-	12,409,718	12,409,718	0.00%	16,337,048	75.96%
12/31/2016	-	10,775,445	10,775,445	0.00%	16,337,048	65.96%

**Notes to Schedule:**

The Post Employment Healthcare Plan is an irrevocable plan that is neither a trust, nor equivalent to a trust and the plan assets cannot be included in the Schedule of Funding Progress. Beginning in 2012, the City offered periodic opt-out provisions that transferred a portion of plan assets, based on participants' years in the plan, to a Health Savings Account for participating employees. Ninety-seven employees opted out of the plan and the plan was closed to new participants effective December 31, 2012. The reduction in plan participants resulted in a decrease in actuarial accrued liability in the 2013 study. The most recent actuarial study was performed as of December 31, 2016 by Healthcare Actuaries.

The 2016 study changed the discount rate from 2.50% to 3.75%. This was the only change since the last report.

**Schedule of Funding Progress for LEOFF 1 – Fire and Police OPEB plans**

The following table provides the components of funding progress for the three most recent actuarial valuations for the LEOFF 1 Fire and Police OPEB plans.

SCHEDULE OF FUNDING PROGRESS FOR FIRE OPEB PLAN						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ 529,994	\$ 5,055,143	\$4,525,149	10.5%	\$ -	n/a
1/1/2015	538,090	13,127,776	12,589,686	4.1%	-	n/a
12/31/2016	557,129	11,218,118	10,660,989	5.0%	-	n/a

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SCHEDULE OF FUNDING PROGRESS FOR <b>POLICE</b> OPEB PLAN						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ 228,524	\$ 6,924,258	\$ 6,695,734	3.3%	\$ 92,392	7247.1%
1/1/2015	228,314	18,485,643	18,257,329	1.2%	92,392	19760.7%
12/31/2016	212,734	15,761,882	15,549,148	1.3%	92,392	16829.5%

**Notes to Schedules:**

The LEOFF 1 Fire and Police OPEB plans are administered by a pension trust fund that also provides pension benefits through two defined benefit pension plans for LEOFF 1 Police and Fire retirees. There are currently 29 retired firefighters and 32 retired police officers receiving medical benefits through the plans. Membership in this plan closed to new participants 1977. A modest increase in liabilities for both plans occurred since the prior valuation, due in part to the updated assumptions in the 2016 actuarial study. A list of changes since the prior valuation for these plans follow:

- 1) The discount rate was changed from 2.50% to 3.75%.

The 2016 actuarial valuation was prepared using the following assumptions and methods:

Actuarial Cost Method	Projected Unit Credit
Asset Valuation Method	Level Dollar Closed
Measurement Date	January 1, 2015 (projected to December 31, 2016)
Discount Rate	3.75%
Cost of Living	3.0%
Salary Increase	3.0%
Mortality Rates	Updated with 2014 mortality study data

The schedule of employer contributions for LEOFF 1 Fire and LEOFF 1 Police OPEB Plans is presented in the following tables:

THREE YEAR TREND FOR <b>FIRE</b> OPEB			
Fiscal Year Ended	Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12/31/2014	415,216	1,460,577	28.43%
12/31/2015	308,846	1,457,127	21.20%
12/31/2016	273,947	1,459,873	18.77%

THREE YEAR TREND FOR <b>POLICE</b> OPEB			
Fiscal Year Ended	Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
12/31/2014	691,514	1,701,762	40.64%
12/31/2015	627,096	1,689,397	37.12%
12/31/2016	407,903	1,694,782	24.07%

**LEOFF 1 FIRE PENSION PLAN AND POLICE PENSION PLAN**

GASB Statement No. 67 was implemented for the LEOFF 1 Fire Pension and LEOFF 1 Police Pension plans in the 2014 CAFR. As prescribed in GASB Statement No. 67, the following required schedules present data only for the years since implementation, with the exception of the schedule of actuarially determined contributions which have been prepared for ten years. The schedules prepared for 2014-forward will be built prospectively until they contain ten years of data.

The following schedules provide the changes in net pension liability, with related ratios for Fire Pension and Police Pension plans for 2014 through 2016:

<b>SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - FIRE PENSION</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b><u>Total Pension Liability</u></b>			
Service Cost	\$ -	\$ -	\$ -
Interest	92,704	98,363	103,590
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(4,485)	-
Changes of assumptions	-	-	-
Benefit payments, included refunds of employee contributions	(202,023)	(211,338)	(205,715)
<b>Net change in total pension liability</b>	<b>(109,319)</b>	<b>(117,460)</b>	<b>(102,125)</b>
<b>Total pension liability - beginning</b>	<b>1,955,082</b>	<b>2,072,542</b>	<b>2,174,667</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 1,845,763</b>	<b>\$ 1,955,082</b>	<b>\$ 2,072,542</b>
<b><u>Plan Fiduciary Net Position</u></b>			
Contributions - employer	\$ 177,494	\$ 273,585	\$ 291,083
Contributions - employee	-	-	-
Net investment income	28,020	(692)	11,123
Benefit payments, including refunds of employee contributions	(202,023)	(211,338)	(205,715)
Administrative expense	(7,879)	(7,897)	(5,978)
Other	5,837	-	-
<b>Net change in plan fiduciary net position</b>	<b>1,449</b>	<b>53,658</b>	<b>90,513</b>
<b>Plan fiduciary net position - beginning</b>	<b>441,699</b>	<b>388,041</b>	<b>297,528</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>443,148</b>	<b>441,699</b>	<b>388,041</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 1,402,616</b>	<b>\$ 1,513,383</b>	<b>\$ 1,684,501</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>24.01%</b>	<b>22.59%</b>	<b>18.72%</b>
<b>Covered-employee payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

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<b>SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION</b>			
	2016	2015	2014
<b><u>Total Pension Liability</u></b>			
Service Cost	\$ -	\$ -	\$ -
Interest	136,198	139,988	143,633
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(21,223)	-
Changes of assumptions	-	-	-
Benefit payments, included refunds of employee contributions	(198,894)	(205,925)	(211,450)
<b>Net change in total pension liability</b>	<b>(62,696)</b>	<b>(87,160)</b>	<b>(67,817)</b>
<b>Total pension liability - beginning</b>	<b>2,823,401</b>	<b>2,910,561</b>	<b>2,978,378</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,760,705</b>	<b>\$ 2,823,401</b>	<b>\$ 2,910,561</b>
<b><u>Plan Fiduciary Net Position</u></b>			
Contributions - employer	\$ 217,876	\$ 220,822	\$ 291,675
Contributions - employee	-	-	-
Net investment income	12,116	(1,304)	3,321
Benefit payments, including refunds of employee contributions	(198,894)	(205,925)	(211,450)
Administrative expense	(7,815)	(8,071)	(3,837)
Other	(5,426)	-	-
<b>Net change in plan fiduciary net position</b>	<b>17,857</b>	<b>5,522</b>	<b>79,709</b>
<b>Plan fiduciary net position - beginning</b>	<b>157,846</b>	<b>152,324</b>	<b>72,616</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>175,703</b>	<b>157,846</b>	<b>152,325</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 2,585,001</b>	<b>\$ 2,665,555</b>	<b>\$ 2,758,236</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>6.36%</b>	<b>5.59%</b>	<b>5.23%</b>
<b>Covered-employee payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

**Notes to Schedules:**

There were no changes to actuarial assumptions for either plan since the prior valuation. The following methods and assumptions were utilized to complete the 2016 valuation with updated actuarial determined information:

Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Market Value
Measurement Date	January 1, 2015 (projected to December 31, 2016)
Discount Rate	5.0%
Cost of Living	2.5%
Salary Increase	3.0%
Mortality Rates	Updated with 2014 mortality study data

The following schedule presents the annual money-weighted rate of return on pension plan investments calculated as required by GASB Statement No. 67.

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<b>SCHEDULE OF INVESTMENT RETURNS</b>			
Annual money-weighted rate of return, net of investment expense	2016	2015	2014
Fire Pension	6.54%	-0.17%	3.30%
Police Pension	7.54%	-0.84%	3.00%

The following schedules present the City's actuarially determined contribution to the LEOFF 1 Fire and Police Pension Plans for the past ten years:

<b>SCHEDULE OF CONTRIBUTIONS - FIRE PENSION PLAN</b>										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 241,879	\$ 243,280	\$ 243,098	\$ 109,603	\$ 103,152	\$ 103,152	\$ 103,152	\$ 174,546	\$ 169,162	\$ 182,029
Contribution in relation to the actuarially determined contribution	177,494	273,585	291,083	168,151	155,434	183,082	215,256	236,881	245,623	238,975
Contribution deficiency (excess)	64,385	(30,305)	(47,985)	(58,548)	(52,282)	(79,930)	(112,104)	(62,335)	(76,461)	(56,946)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,554	\$ 289,712	\$ 280,876	\$ 372,039	\$ 343,053
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	60.91%	74.30%	84.34%	66.02%	69.66%

<b>SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN</b>										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 419,815	\$ 396,072	\$ 388,000	\$ 173,793	\$ 212,257	\$ 212,257	\$ 212,257	\$ 250,382	\$ 250,382	\$ 263,024
Contribution in relation to the actuarially determined contribution	217,876	220,822	291,675	155,289	279,754	274,329	335,070	261,106	355,215	248,630
Contribution deficiency (excess)	201,939	175,250	96,325	18,504	(67,497)	(62,072)	(122,813)	(10,724)	(104,833)	14,394
Covered payroll	\$ -	\$ -	\$ 96,445	\$ 91,473	\$ 89,781	\$ 93,902	\$ 85,357	\$ 81,512	\$ 78,928	\$ 66,965
Contributions as a percentage of covered payroll	N/A	N/A	302.43%	169.76%	311.60%	292.14%	392.55%	320.33%	450.05%	371.28%

**STATE-SPONSORED PENSION PLANS**

GASB Statement No. 68 was implemented in 2015, requiring the City to report its proportional share of liabilities related to state-sponsored pension plans. City employees participate in several different Washington pension programs: Public Employees' Retirement System (PERS) plans 1, 2 and 3; and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) plans 1 and 2.

The City is required to present ten years of data relating to the City's share of state pension plans. However, information on the City's proportionate share of the net pension liability is only available beginning in 2014, and each additional year will be added prospectively until ten years are available. The tables on the following pages present the required information related to the City's share of each of the state pension plans.

- Schedule of Proportionate Share of Net Pension Liability
- Schedule of Employer Contributions

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
<b>PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1</b>			
<b>As of June 30 (measurement date)</b>			
<b>Last 10 Fiscal Years*</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.222982%	0.221151%	0.229721%
Employer's proportionate share of the net pension liability	11,975,184	11,568,254	11,572,303
<b>TOTAL</b>	<b>11,975,184</b>	<b>11,568,254</b>	<b>11,572,303</b>
Employer's covered employee payroll**	224,908	382,446	479,223
Employer's proportionate share of the net pension liability as a percentage of covered payroll	5324.48%	3024.81%	2414.81%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%	61.19%

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

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
<b>PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2/3</b>			
<b>As of June 30 (measurement date)</b>			
<b>Last 10 Fiscal Years*</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.277811%	0.275857%	0.282032%
Employer's proportionate share of the net pension liability	13,987,564	9,856,528	5,700,885
<b>TOTAL</b>	<b>13,987,564</b>	<b>9,856,528</b>	<b>5,700,885</b>
Employer's covered employee payroll**	25,122,302	24,935,293	24,994,860
Employer's proportionate share of the net pension liability as a percentage of covered payroll	55.68%	39.53%	22.81%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%	93.29%

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

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<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
<b>LEOFF RETIREMENT SYSTEM PLAN 1</b>			
<b>As of June 30 (measurement date)</b>			
<b>Last 10 Fiscal Years*</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.126016%	0.125802%	0.125288%
Employer's proportionate share of the net pension liability	(1,298,325)	(1,516,192)	(1,519,482)
<b>TOTAL</b>	<b>(1,298,325)</b>	<b>(1,516,192)</b>	<b>(1,519,482)</b>
Employer's covered employee payroll**	1,288	57,724	95,945
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-100801.63%	-2626.62%	-1583.70%
Plan fiduciary net position as a percentage of the total pension liability	123.74%	127.36%	126.91%

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

<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
<b>LEOFF RETIREMENT SYSTEM PLAN 2</b>			
<b>As of June 30 (measurement date)</b>			
<b>Last 10 Fiscal Years*</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.450464%	0.411289%	0.417449%
Employer's proportionate share of the net pension liability	(2,620,034)	(4,227,228)	(5,539,728)
State's proportionate share of net pension liability (asset) associated with employer	(2,620,034)	(4,227,228)	(5,539,728)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>
Employer's covered employee payroll**	13,414,604	12,715,003	12,170,133
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-19.53%	-33.25%	-45.52%
Plan fiduciary net position as a percentage of the total pension liability	106.04%	111.67%	116.75%

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

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SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 1										
As of December 31, 2016										
Last 10 Fiscal Years										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily or contractually required contributions	\$ 48,941	\$ 67,823	\$ 78,321	\$ 96,187	\$ 91,766	\$ 61,134	\$ 186,251	\$ 107,375	\$ 218,811	\$ 277,741
Contributions in relation to the statutorily or contractually required contributions*	(25,145)	(38,503)	(44,388)	(46,395)	(60,891)	(61,134)	(48,033)	(89,088)	(100,877)	(103,302)
Contribution deficiency (excess)	23,796	29,320	33,933	49,792	30,875	-	138,218	18,287	117,934	174,439
Covered employer payroll**	\$ 224,908	\$ 382,446	\$ 479,223	\$ 578,760	\$ 846,750	\$ 987,118	\$ 904,575	\$ 1,315,609	\$ 1,409,999	\$ 1,798,700
Contributions as a percentage of covered employee payroll	21.76%	17.73%	16.34%	16.62%	10.84%	6.19%	20.59%	8.16%	15.52%	15.44%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN 2 & 3										
As of December 31, 2016										
Last 10 Fiscal Years*										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily or contractually required contributions	\$ 2,808,191	\$ 2,536,893	\$ 2,302,039	\$ 1,971,093	\$ 1,708,167	\$ 1,475,627	\$ 1,246,700	\$ 1,573,635	\$ 1,510,892	\$ 1,155,571
Contributions in relation to the statutorily or contractually required contributions	(2,808,191)	(2,536,893)	(2,302,039)	(1,971,093)	(1,708,167)	(1,475,627)	(1,246,700)	(1,573,635)	(1,506,343)	(1,155,571)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	4,549	-
Covered employer payroll*	\$ 25,122,302	\$ 24,935,293	\$ 24,994,860	\$ 24,213,652	\$ 23,748,528	\$ 23,877,899	\$ 23,478,270	\$ 22,817,123	\$ 21,009,521	\$ 20,093,569
Contributions as a percentage of covered employee payroll	11.18%	10.17%	9.21%	8.14%	7.19%	6.18%	5.31%	6.90%	7.19%	5.75%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 1										
As of December 31, 2016										
Last 10 Fiscal Years*										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily or contractually required contributions	\$ 2	\$ 751	\$ 173	\$ 152	\$ 128	\$ 492	\$ 565	\$ 570	\$ 537	\$ 576
Contributions in relation to the statutorily or contractually required contributions	(2)	(104)	(173)	(152)	(128)	(492)	(565)	(570)	(537)	(576)
Contribution deficiency (excess)	-	647	-	-	-	-	-	-	-	-
Covered employer payroll*	\$ 1,288	\$ 57,724	\$ 95,945	\$ 91,538	\$ 79,696	\$ 307,424	\$ 353,512	\$ 356,727	\$ 335,479	\$ 331,392
Contributions as a percentage of covered employee payroll	0.16%	1.30%	0.18%	0.17%	0.16%	0.16%	0.16%	0.16%	0.16%	0.17%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LEOFF RETIREMENT SYSTEM PLAN 2										
As of December 31, 2016										
Last 10 Fiscal Years*										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily or contractually required contributions	\$ 701,584	\$ 664,997	\$ 636,501	\$ 604,541	\$ 588,359	\$ 559,758	\$ 542,273	\$ 533,210	\$ 507,627	\$ 457,082
Contributions in relation to the statutorily or contractually required contributions	(701,584)	(664,997)	(636,501)	(603,710)	(588,359)	(559,452)	(541,547)	(533,210)	(506,883)	(457,082)
Contribution deficiency (excess)	-	-	-	831	-	306	726	-	744	-
Covered employer payroll*	\$ 13,414,604	\$ 12,715,003	\$ 12,170,133	\$ 11,538,940	\$ 11,228,221	\$ 10,684,242	\$ 10,348,716	\$ 9,961,663	\$ 9,391,617	\$ 8,887,679
Contributions as a percentage of covered employee payroll	5.23%	5.23%	5.23%	5.24%	5.24%	5.24%	5.24%	5.35%	5.41%	5.14%

**Notes to Schedule**  
Contributions include the 0.018% administrative cost of plan  
Excess contributions in PERS 1 are due to leave cashouts  
\* Covered payroll is the payroll on which contributions to a pension plan are based





# COMBINING AND INDIVIDUAL FUND STATEMENTS NONMAJOR GOVERNMENTAL FUNDS

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**Special Revenue Funds** – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**Debt Service Funds** – are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on governmental long-term debt.

**Capital Projects Funds** – are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by the enterprise funds.

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	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	2016 Total	2015 Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,936,628	\$ 1,544,508	\$ 2,554,118	\$ 12,035,254	\$ 12,021,236
Deposits with third parties	26,600			26,600	98,600
Investments	2,464,129	119,112	2,374,400	4,957,641	3,552,076
Receivables:					
Taxes		42,282		42,282	35,992
Customer accounts	92,014	23,191		115,205	26,761
Due from other funds			3,101	3,101	7,234
Due from other governments	745,981	3,726	1,802,510	2,552,217	1,792,119
Assessments		545,423		545,423	160,251
Notes and contracts	2,629,079			2,629,079	2,701,810
Prepaid items	225			225	4,500
Total assets	<u>\$ 13,894,656</u>	<u>\$ 2,278,242</u>	<u>\$ 6,734,129</u>	<u>\$ 22,907,027</u>	<u>\$ 20,400,579</u>
<b>LIABILITIES</b>					
<i>Liabilities:</i>					
Accounts payable and accrued expenses	\$ 253,611	\$ 2,223	\$ 931,894	\$ 1,187,728	\$ 790,136
Payable to other governments	120,991			120,991	40,040
Due to other funds	3,101		504,678	507,779	14,652
Interfund loans payable		25,195	793,352	818,547	210,510
Deposits payable	6,000		255,419	261,419	242,912
Unearned revenue-other	688,608			688,608	752,915
Total liabilities	<u>1,072,311</u>	<u>27,418</u>	<u>2,485,343</u>	<u>3,585,072</u>	<u>2,051,165</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes		27,413		27,413	28,648
Unavailable revenue-unbilled LID assessments		545,423		545,423	160,251
Unavailable revenue-contractual agreements	69,509			69,509	
Total deferred inflows of resources	<u>69,509</u>	<u>572,836</u>		<u>642,345</u>	<u>188,899</u>
<b>FUND BALANCES (DEFICITS):</b>					
Nonspendable:					
Inventory, prepaid items and noncurrent receivables	225			225	4,500
Restricted for:					
Debt Service		329,624		329,624	291,696
Capital Improvements	684,657		3,212,630	3,897,287	2,602,643
Public Safety	1,586,596			1,586,596	944,880
Economic Environment	8,098,513			8,098,513	8,119,979
Committed for:					
Debt Service		598,524		598,524	506,277
Capital Improvements			1,622,212	1,622,212	2,301,139
Economic Environment	2,382,845			2,382,845	1,729,258
Assigned to:					
Debt Service		749,840		749,840	1,343,164
Transportation					564,290
Culture and Recreation					
Unassigned			(586,056)	(586,056)	(247,311)
Total fund balances	<u>12,752,836</u>	<u>1,677,988</u>	<u>4,248,786</u>	<u>18,679,610</u>	<u>18,160,515</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,894,656</u>	<u>\$ 2,278,242</u>	<u>\$ 6,734,129</u>	<u>\$ 22,907,027</u>	<u>\$ 20,400,579</u>

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	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	2016 Total	2015 Total
<b>REVENUES</b>					
Taxes	\$ 3,089,010	\$ 2,494,537	\$ 2,604,108	\$ 8,187,655	\$ 8,289,315
Intergovernmental	805,662		3,274,115	4,079,777	3,764,611
Charges for goods and services	4,477,818		150,233	4,628,051	656,645
Investment earnings	55,580	30,293	27,480	113,353	102,932
Rents and leases	1,176,380			1,176,380	1,215,344
Miscellaneous	119,131	51,323	227,810	398,264	216,730
Total revenues	<u>9,723,581</u>	<u>2,576,153</u>	<u>6,283,746</u>	<u>18,583,480</u>	<u>14,245,577</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
General government			337,665	337,665	47,102
Public safety	4,764,016			4,764,016	538,675
Transportation		7	1,701,907	1,701,914	1,387,983
Economic environment	2,308,375		1,165	2,309,540	2,368,878
Culture and recreation	18,702		80,595	99,297	47,871
<i>Debt service:</i>					
Principal	90,422	3,225,000	171,521	3,486,943	5,306,461
Interest	5,832	1,322,337	11,380	1,339,549	1,424,949
Other		2,104		2,104	149,563
<i>Capital Outlay:</i>					
General government			598,039	598,039	
Public safety			13,706	13,706	2,635,141
Transportation			4,703,783	4,703,783	3,598,696
Economic environment	400,125		43,677	443,802	962,546
Culture and recreation			795,465	795,465	1,763,281
Total expenditures	<u>7,587,472</u>	<u>4,549,448</u>	<u>8,458,903</u>	<u>20,595,823</u>	<u>20,231,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,136,109</u>	<u>(1,973,295)</u>	<u>(2,175,157)</u>	<u>(2,012,343)</u>	<u>(5,985,569)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	33,754	1,510,146	2,927,267	4,471,167	5,198,570
Transfers out	(1,170,177)		(1,627,684)	(2,797,861)	(4,474,600)
Debt issued			294,318	294,318	15,098,361
Premium on general obligation debt					1,565,869
Payments to refunded debt escrow agent					(13,794,724)
Disposition of capital assets	502,203			502,203	248,812
Total other financing sources (uses)	<u>(634,220)</u>	<u>1,510,146</u>	<u>1,593,901</u>	<u>2,469,827</u>	<u>3,842,288</u>
Net change in fund balance	1,501,889	(463,149)	(581,256)	457,484	(2,143,281)
Fund balances-beginning	11,170,703	2,141,137	4,848,675	18,160,515	20,303,796
Prior period adjustment	80,244		(18,633)	61,611	
Fund balances-ending	<u>\$ 12,752,836</u>	<u>\$ 1,677,988</u>	<u>\$ 4,248,786</u>	<u>\$ 18,679,610</u>	<u>\$ 18,160,515</u>





# COMBINING AND INDIVIDUAL FUND STATEMENTS NONMAJOR SPECIAL REVENUE FUNDS

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**Park Reserve Fund** – is used to account for all funds received from the sale of non-industrial land and any gifts and bequests directed to the City for acquisition and development of public open spaces.

**Industrial Development Fund** – is used to account for revenues generated by the sale of industrial property. The proceeds are expended for industrial development.

**Criminal Justice Fund** – is used to account for revenues distributed by Washington State for criminal justice purposes.

**PFD Facility Contingency Fund** – is used to account for and report annual deposits from the Richland Public Facility District to the City to fund a contingency reserve for the PFD facility, per contract.

**Criminal Justice Sales Tax Fund** – is used to account for a voter approved sales tax increase of three tenths of one percent. The taxes are dedicated to public safety and will be assessed for 10 years.

**BCES Operations Fund** – is used to account for the fees received from the BCES funds to compensate the City for staffing costs.

**Hotel/Motel Tax Fund** – is used to account for revenues derived from a 4% excise tax on lodging. State law requires that the funds be used for construction, operation and maintenance of tourism related activities.

**Special Assessment Lodging Tax Fund** – is used to account for revenues derived from an additional \$1.50 lodging fee that is remitted back to the Tourism Promotion Area participants to further tourism efforts.

**CDBG Fund** – is used to account for the Community Development Block Grant HUD program.

**HOME Fund** – is used to account for HOME Investment Partnership Grant HUD program.

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	<b>Park Reserve Fund</b>	<b>Industrial Development Fund</b>	<b>Criminal Justice Fund</b>	<b>PFD Facility Contingency Fund</b>	<b>Criminal Justice Sales Tax Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 687,318	\$ 4,959,027	\$ 155,561	\$ 141,698	\$ 1,117,238
Deposits with third parties		26,600			
Investments		2,464,129			
Receivables:					
Customer accounts		5,425			
Due from other governments			17,131	69,509	315,853
Notes and contracts					
Prepaid items		225			
<b>Total assets</b>	<b>\$ 687,318</b>	<b>\$ 7,455,406</b>	<b>\$ 172,692</b>	<b>\$ 211,207</b>	<b>\$ 1,433,091</b>
<b>LIABILITIES</b>					
<i>Liabilities:</i>					
Accounts payable and accrued expenses	\$ 2,661	\$ 95,144	\$	\$	\$ 19,187
Payable to other governments					
Due to other funds					
Interfund loans payable					
Deposits payable		6,000			
Unearned revenue-other		688,608			
<b>Total liabilities</b>	<b>2,661</b>	<b>789,752</b>			<b>19,187</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-contractual agreements				69,509	
<b>Total deferred inflows of resources</b>				<b>69,509</b>	
<b>FUND BALANCES (DEFICITS):</b>					
Nonspendable:					
Inventory, prepaid items and noncurrent receivables		225			
Restricted for:					
Capital Improvements	684,657				
Public Safety			172,692		1,413,904
Economic Environment		4,282,584		141,698	
Committed for:					
Debt Service					
Capital Improvements					
Economic Environment		2,382,845			
Assigned to:					
Culture and Recreation					
<b>Total fund balances</b>	<b>684,657</b>	<b>6,665,654</b>	<b>172,692</b>	<b>141,698</b>	<b>1,413,904</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 687,318</b>	<b>\$ 7,455,406</b>	<b>\$ 172,692</b>	<b>\$ 211,207</b>	<b>\$ 1,433,091</b>

BCES Operations Fund	Hotel/ Motel Tax Fund	Special Assessment Lodging Tax Fund	CDBG Fund	HOME Fund	2016 Total	2015 Total
\$	\$ 729,177	\$ 38,007	\$ 33,097	\$ 75,505	\$ 7,936,628	\$ 7,123,712
					26,600	98,600
					2,464,129	1,673,254
76,589				10,000	92,014	1,482
	74,215	39,933	98,860	130,480	745,981	532,438
			1,277,263	1,351,816	2,629,079	2,701,810
					225	4,500
<b>\$ 76,589</b>	<b>\$ 803,392</b>	<b>\$ 77,940</b>	<b>\$ 1,409,220</b>	<b>\$ 1,567,801</b>	<b>\$ 13,894,656</b>	<b>\$ 12,135,796</b>
\$ 76,589	\$ 16,851	\$ 38,007	\$ 3,917	\$ 1,255	253,611	\$ 117,743
			795	120,196	120,991	40,040
			3,101		3,101	14,652
					6,000	39,743
					688,608	752,915
76,589	16,851	38,007	7,813	121,451	1,072,311	965,093
0	0	0	0	0	69,509	
					69,509	
					225	4,500
					684,657	372,086
					1,586,596	944,880
	786,541	39,933	1,401,407	1,446,350	8,098,513	8,119,979
					2,382,845	1,729,258
	786,541	39,933	1,401,407	1,446,350	12,752,836	11,170,703
<b>\$ 76,589</b>	<b>\$ 803,392</b>	<b>\$ 77,940</b>	<b>\$ 1,409,220</b>	<b>\$ 1,567,801</b>	<b>\$ 13,894,656</b>	<b>\$ 12,135,796</b>

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	<b>Park Reserve Fund</b>	<b>Industrial Development Fund</b>	<b>Criminal Justice Fund</b>	<b>PFD Facility Contingency Fund</b>	<b>Criminal Justice Sales Tax Fund</b>
<b>REVENUES</b>					
Taxes	\$	\$	\$	\$	\$ 1,654,270
Intergovernmental			68,434		
Charges for goods and services	405,525				
Investment earnings	5,882	34,158		1,546	8,510
Rents and leases	196,415	979,965			
Miscellaneous		116,637			
<b>Total revenues</b>	<b>607,822</b>	<b>1,130,760</b>	<b>68,434</b>	<b>1,546</b>	<b>1,662,780</b>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Public safety					984,458
Economic environment		622,233			
Culture and recreation	18,702				
<i>Debt service:</i>					
Principal		90,422			
Interest		5,832			
Other					
<i>Capital Outlay:</i>					
Transportation					
Economic environment		400,125			
<b>Total expenditures</b>	<b>18,702</b>	<b>1,118,612</b>			<b>984,458</b>
Excess (deficiency) of revenues over (under) expenditures	<b>589,120</b>	<b>12,148</b>	<b>68,434</b>	<b>1,546</b>	<b>678,322</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		33,754			
Transfers out	(356,793)	(422,898)	(43,040)		(66,000)
Debt issued					
Premium on general obligation debt					
Disposition of capital assets		502,203			
<b>Total other financing sources (uses)</b>	<b>(356,793)</b>	<b>113,059</b>	<b>(43,040)</b>		<b>(66,000)</b>
Net change in fund balance	232,327	125,207	25,394	1,546	612,322
Fund balances-beginning	372,086	6,540,447	147,298	140,152	801,582
Prior period adjustment	80,244				
<b>Fund balances-ending</b>	<b>\$ 684,657</b>	<b>\$ 6,665,654</b>	<b>\$ 172,692</b>	<b>\$ 141,698</b>	<b>\$ 1,413,904</b>



BCES Operations Fund	Hotel/ Motel Tax Fund	Special Assessment Lodging Tax Fund	CDBG Fund	HOME Fund	2016 Total	2015 Total
\$	\$ 951,284	\$ 483,456	\$	\$	\$ 3,089,010	\$ 2,981,743
			368,223	369,005	805,662	1,289,977
3,779,558			33,982	258,753	4,477,818	317,162
	4,851	465		168	55,580	43,079
					1,176,380	1,215,344
			2,494		119,131	29,667
3,779,558	956,135	483,921	404,699	627,926	9,723,581	5,876,972
3,779,558					4,764,016	514,468
	382,294	476,438	270,543	556,867	2,308,375	2,363,646
					18,702	19,249
					90,422	88,220
					5,832	6,332
						12,324
					400,125	406,649
3,779,558	382,294	476,438	270,543	556,867	7,587,472	3,410,888
	573,841	7,483	134,156	71,059	2,136,109	2,466,084
					33,754	37,457
	(101,465)		(179,981)		(1,170,177)	(2,859,208)
					502,203	248,812
	(101,465)		(179,981)		(634,220)	(2,572,939)
	472,376	7,483	(45,825)	71,059	1,501,889	(106,855)
	314,165	32,450	1,447,232	1,375,291	11,170,703	11,277,558
					80,244	
\$	\$ 786,541	\$ 39,933	\$ 1,401,407	\$ 1,446,350	\$ 12,752,836	\$ 11,170,703

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	<b>Park Reserve Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Charges for goods and services	\$ 115,500	\$ 405,525	\$ 290,025
Investment earnings	5,000	5,882	882
Rents and leases	203,000	196,415	(6,585)
Total revenues	<u>323,500</u>	<u>607,822</u>	<u>284,322</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Culture and recreation	20,000	18,702	(1,298)
Total expenditures	<u>20,000</u>	<u>18,702</u>	<u>(1,298)</u>
Excess of revenues over expenditures	<u>303,500</u>	<u>589,120</u>	<u>285,620</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(356,793)	(356,793)	
Disposition of capital assets			
Total other financing sources (uses)	<u>(356,793)</u>	<u>(356,793)</u>	
Net change in fund balance	(53,293)	232,327	285,620
Fund balances-beginning	372,086	372,086	
Prior period adjustment		80,244	
Fund balances-ending	<u>\$ 318,793</u>	<u>\$ 684,657</u>	<u>\$ 285,620</u>

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	<b>Industrial Development Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Intergovernmental	\$	\$	\$
Investment earnings	20,000	34,158	14,158
Rents and leases	983,135	979,965	(3,170)
Miscellaneous	115,738	116,637	899
Total revenues	1,118,873	1,130,760	11,887
<b>EXPENDITURES</b>			
<i>Current:</i>			
Economic environment	909,267	622,233	(287,034)
<i>Debt service:</i>			
Principal	90,424	90,422	(2)
Interest	5,833	5,832	(1)
<i>Capital Outlay:</i>			
Transportation			
Economic environment	1,597,971	400,125	(1,197,846)
Total expenditures	2,603,495	1,118,612	(1,484,883)
Excess (deficiency) of revenues over (under) expenditures	(1,484,622)	12,148	1,496,770
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	33,754	33,754	
Transfers out	(4,564,567)	(422,898)	4,141,669
Disposition of capital assets	1,041,642	502,203	(539,439)
Total other financing sources (uses)	(3,489,171)	113,059	3,602,230
Net change in fund balance	(4,973,793)	125,207	5,099,000
Fund balances-beginning	6,540,447	6,540,447	
Fund balances-ending	\$ 1,566,654	\$ 6,665,654	\$ 5,099,000

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	<b>Criminal Justice Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Intergovernmental	\$ 61,041	\$ 68,434	\$ 7,393
Total revenues	61,041	68,434	7,393
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(43,040)	(43,040)	
Total other financing sources (uses)	(43,040)	(43,040)	
Net change in fund balance	18,001	25,394	7,393
Fund balances-beginning	147,298	147,298	
Fund balances-ending	\$ 165,299	\$ 172,692	\$ 7,393

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	<b>PFD Facility Contingency Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Intergovernmental	\$ 69,509	\$	\$ (69,509)
Investment earnings		1,546	1,546
Total revenues	69,509	1,546	(67,963)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
Total other financing sources (uses)			
Net change in fund balance	69,509	1,546	(67,963)
Fund balances-beginning	140,152	140,152	
Fund balances-ending	\$ 209,661	\$ 141,698	\$ (67,963)

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	<b>Criminal Justice Sales Tax Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Taxes	\$ 1,379,130	\$ 1,654,270	\$ 275,140
Investment earnings		8,510	8,510
Total revenues	<u>1,379,130</u>	<u>1,662,780</u>	<u>283,650</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Public safety	1,286,505	984,458	(302,047)
Total expenditures	<u>1,286,505</u>	<u>984,458</u>	<u>(302,047)</u>
Excess of revenues over expenditures	<u>92,625</u>	<u>678,322</u>	<u>585,697</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer out	(66,000)	(66,000)	
Total other financing sources (uses)	<u>(66,000)</u>	<u>(66,000)</u>	
Net change in fund balance	26,625	612,322	585,697
Fund balances-beginning	801,582	801,582	
Fund balances-ending	<u>\$ 828,207</u>	<u>\$ 1,413,904</u>	<u>\$ 585,697</u>

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	<b>BCES Operations Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Charges for goods and services	\$ 4,145,938	\$ 3,779,558	\$ (366,380)
Investment earnings			
Total revenues	4,145,938	3,779,558	(366,380)
<b>EXPENDITURES</b>			
<i>Current:</i>			
Public safety	4,145,938	3,779,558	(366,380)
Total expenditures	4,145,938	3,779,558	(366,380)
Excess of revenues over expenditures			
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer out			
Total other financing sources (uses)			
Net change in fund balance			
Fund balances-beginning			
Fund balances-ending	\$	\$	\$

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	<b>Hotel/Motel Tax Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Taxes	\$ 966,000	\$ 951,284	\$ (14,716)
Investment earnings	5,000	4,851	(149)
Total revenues	971,000	956,135	(14,865)
<b>EXPENDITURES</b>			
<i>Current:</i>			
Economic environment	800,377	382,294	(418,083)
Total expenditures	800,377	382,294	(418,083)
Excess of revenues over expenditures	170,623	573,841	403,218
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer out	(170,623)	(101,465)	69,158
Total other financing sources (uses)	(170,623)	(101,465)	69,158
Net change in fund balance		472,376	472,376
Fund balances-beginning	314,165	314,165	
Fund balances-ending	\$ 314,165	\$ 786,541	\$ 472,376



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	<b>Special Assessment Lodging Tax Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Taxes	\$ 500,000	\$ 483,456	\$ (16,544)
Investment earnings	500	465	(35)
<b>Total revenues</b>	<b>500,500</b>	<b>483,921</b>	<b>(16,579)</b>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Economic environment	500,500	476,438	(24,062)
<b>Total expenditures</b>	<b>500,500</b>	<b>476,438</b>	<b>(24,062)</b>
Excess (deficiency) of revenues over (under) expenditures		7,483	7,483
Net change in fund balance		7,483	7,483
Fund balances-beginning	32,450	32,450	
<b>Fund balances-ending</b>	<b>\$ 32,450</b>	<b>\$ 39,933</b>	<b>\$ 7,483</b>

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	<b>CDBG Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Intergovernmental	\$ 501,375	\$ 368,223	\$ (133,152)
Charges for goods and services	100,000	33,982	(66,018)
Miscellaneous		2,494	
Total revenues	<u>601,375</u>	<u>404,699</u>	<u>(199,170)</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Economic environment	438,588	270,543	(168,045)
Total expenditures	<u>438,588</u>	<u>270,543</u>	<u>(168,045)</u>
Excess of revenues over expenditures	<u>162,787</u>	<u>134,156</u>	<u>(31,125)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(253,892)	(179,981)	73,911
Total other financing sources (uses)	<u>(253,892)</u>	<u>(179,981)</u>	<u>73,911</u>
Net change in fund balance	(91,105)	(45,825)	42,786
Fund balances-beginning	1,447,232	1,447,232	
Fund balances-ending	<u>\$ 1,356,127</u>	<u>\$ 1,401,407</u>	<u>\$ 42,786</u>

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	<b>HOME Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/ (Under)</b>
<b>REVENUES</b>			
Intergovernmental	\$ 1,032,109	\$ 369,005	\$ (663,104)
Charges for goods and services	300,000	258,753	(41,247)
Fines and forfeits			
Investment earnings		168	168
Total revenues	<u>1,332,109</u>	<u>627,926</u>	<u>(704,183)</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Economic environment	<u>1,351,444</u>	<u>556,867</u>	<u>(794,577)</u>
Total expenditures	<u>1,351,444</u>	<u>556,867</u>	<u>(794,577)</u>
Excess of revenues over expenditures	<u>(19,335)</u>	<u>71,059</u>	<u>90,394</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
Total other financing sources (uses)			
Net change in fund balance	(19,335)	71,059	90,394
Fund balances-beginning	<u>1,375,291</u>	<u>1,375,291</u>	
Fund balances-ending	<u>\$ 1,355,956</u>	<u>\$ 1,446,350</u>	<u>\$ 90,394</u>





# COMBINING AND INDIVIDUAL FUND STATEMENTS DEBT SERVICE FUNDS

---

***RAISE Area Debt Service Fund***– is used to account for principal and interest payments on the bonds issued for Local Revitalization Financing for the industrial and research areas in north Richland.

***1998 Limited Tax General Obligation Improvement/Refunding Bond Fund*** – is used to account for principal and interest payments on the 1998 Limited Tax General Obligation Improvement and Refunding bond issue.

***Police Station Bond Fund*** – is used to account for principal and interest payments on the 1999 Police Station Bond issue.

***Richland Community Center Bond Fund*** – is used to account for principal and interest payments on the 2000 Richland Community Center Bond issue.

***Library Remodel Bond Fund*** – is used to account for principal and interest payments on the 2007 Library Remodel Bond issue.

***Fire Station #74 Bond Fund*** – is used to account for principal and interest payments on the 2014 Fire Station #74 Construction bond issue.

***Special Assessment Bond Fund*** – is used to account for principal and interest payments on special assessment debt.

***Special Assessment Guaranty Fund*** – is used to account for guaranteeing the payment of bonds and notes issued to pay for any local improvements ordered in local improvement districts in the City of Richland.

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	RAISE Area Debt Service	1998 LTGO Improvement/ Refunding Bond Fund	Police Station Bond Fund	Richland Community Center Bond Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 95,694	\$ 508,529	\$ 18,447	\$ 15,655
Investments		119,112		
Receivables:				
Taxes			5,631	7,085
Customer accounts				
Due from other governments			495	623
Assessments				
<b>Total assets</b>	<b>\$ 95,694</b>	<b>\$ 627,641</b>	<b>\$ 24,573</b>	<b>\$ 23,363</b>
<b>LIABILITIES</b>				
<i>Liabilities:</i>				
Accounts payable and accrued expenses	\$ 174	\$ 900	\$ 34	\$ 46
Due to other funds				
Interfund loans payable				
Deposits payable				
<b>Total liabilities</b>	<b>174</b>	<b>900</b>	<b>34</b>	<b>46</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes			3,651	4,593
Unavailable revenue-unbilled LID assessments				
<b>Total deferred inflows of resources</b>			<b>3,651</b>	<b>4,593</b>
<b>FUND BALANCES (DEFICITS):</b>				
Restricted for:				
Debt Service	95,520		20,888	18,724
Committed for:				
Debt Service				
Assigned to:				
Debt Service		626,741		
Unassigned				
<b>Total fund balances/(deficits)</b>	<b>95,520</b>	<b>626,741</b>	<b>20,888</b>	<b>18,724</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 95,694</b>	<b>\$ 627,641</b>	<b>\$ 24,573</b>	<b>\$ 23,363</b>

<b>Library Remodel Bond Fund</b>	<b>Fire Station #74 Bond Fund</b>	<b>Special Assessment Bond Fund</b>	<b>Special Assessment Guaranty Fund</b>	<b>2016 Total</b>	<b>2015 Total</b>
\$ 66,664	\$ 113,372	\$ 125,103	\$ 601,044	\$ 1,544,508	\$ 1,482,621
				119,112	655,066
29,566				42,282	35,992
		23,191		23,191	25,279
2,608				3,726	2,967
		545,423		545,423	160,251
<b>\$ 98,838</b>	<b>\$ 113,372</b>	<b>\$ 693,717</b>	<b>\$ 601,044</b>	<b>\$ 2,278,242</b>	<b>\$ 2,362,176</b>
\$ 769	\$ 300	\$	\$	\$ 2,223	\$
		25,195		25,195	32,140
<b>769</b>	<b>300</b>	<b>25,195</b>		<b>27,418</b>	<b>32,140</b>
19,169				27,413	28,648
		545,423		545,423	160,251
<b>19,169</b>		<b>545,423</b>		<b>572,836</b>	<b>188,899</b>
78,900	113,072		2,520	329,624	291,696
			598,524	598,524	506,277
		123,099		749,840	1,343,164
<b>78,900</b>	<b>113,072</b>	<b>123,099</b>	<b>601,044</b>	<b>1,677,988</b>	<b>2,141,137</b>
<b>\$ 98,838</b>	<b>\$ 113,372</b>	<b>\$ 693,717</b>	<b>\$ 601,044</b>	<b>\$ 2,278,242</b>	<b>\$ 2,362,176</b>

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	RAISE Area Debt Service	1998 LTGO Improvement/ Refunding Bond Fund	Police Station Bond Fund	Richland Community Center Bond Fund
<b>REVENUES</b>				
Taxes	\$ 649,950	\$	\$ 243,754	\$ 307,185
Investment earnings	2,686	11,473	1,247	1,479
Miscellaneous			159	194
Total revenues	652,636	11,473	245,160	308,858
<b>EXPENDITURES</b>				
<i>Current:</i>				
Transportation				
<i>Debt service:</i>				
Principal	325,000	1,515,000	215,000	270,000
Interest	334,546	296,447	27,150	34,300
Other	174	900	34	46
Total expenditures	659,720	1,812,347	242,184	304,346
Excess (deficiency) of revenues over (under) expenditures	(7,084)	(1,800,874)	2,976	4,512
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,158,268		
Transfers out				
Debt issued				
Premium on general obligation debt				
Payments to refunded debt escrow agent				
Disposition of capital assets				
Total other financing sources (uses)		1,158,268		
Net change in fund balance	(7,084)	(642,606)	2,976	4,512
Fund balances-beginning	102,604	1,269,347	17,912	14,212
Fund balances-ending	\$ 95,520	\$ 626,741	\$ 20,888	\$ 18,724



Library Remodel Bond Fund	Fire Station #74 Bond Fund	Special Assessment Bond Fund	Special Assessment Guaranty Fund	2016 Total	2015 Total
\$ 1,293,648	\$ 920	\$	\$ 6,560	\$ 2,494,537	\$ 2,584,266
5,928				30,293	30,238
		50,970		51,323	124,789
1,299,576	920	50,970	6,560	2,576,153	2,739,293
			7	7	7
775,000	125,000			3,225,000	5,218,241
512,050	116,156	1,688		1,322,337	1,418,570
650	300			2,104	144,813
1,287,700	241,456	1,688	7	4,549,448	6,781,631
11,876	(240,536)	49,282	6,553	(1,973,295)	(4,042,338)
	351,878			1,510,146	1,389,560
					(64,930)
					14,385,000
					1,565,869
					(13,794,724)
	351,878			1,510,146	3,480,775
11,876	111,342	49,282	6,553	(463,149)	(561,563)
67,024	1,730	73,817	594,491	2,141,137	2,702,700
\$ 78,900	\$ 113,072	\$ 123,099	\$ 601,044	\$ 1,677,988	\$ 2,141,137





# COMBINING AND INDIVIDUAL FUND STATEMENTS CAPITAL PROJECTS FUNDS

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**Capital Improvements Fund** – is used to account for revenues from the implementation of the first and second ¼ of 1% Real Estate Excise Tax.

**Streets Construction Fund** – is used to account for resources used for construction of, or capital improvements to the City's transportation network.

**Fire Station #74 Construction Fund** – is used to account for proceeds from the sale of 2014 LTGO bonds that are committed for construction of the new fire station in South Richland.

**Parks Project Construction Fund** – is used to account for various major park construction projects not accounted for in other funds.

**Special Assessment Construction Fund** – is used to account for proceeds from the issuance of Special Assessment Debt and to record expenditures related to the construction of special assessment projects.

**General Governmental Construction Fund** – is used to account for resources allocated to the purchase or construction of major City facilities or other capital projects that benefit the City as a whole.

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	Capital Improvements Fund	Streets Construction Fund	Fire Station #74 Construction Fund	Parks Project Construction Fund	Special Assessment Construction Fund	General Governmental Construction Fund	2016 Total	2015 Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 670,018		\$ 11	\$ 834,829	\$ 5,250	\$ 1,044,010	\$ 2,554,118	\$ 3,414,903
Investments	2,374,400						2,374,400	1,223,756
Receivables:								
Due from other funds		608		2,493			3,101	7,234
Due from other governments	168,212	1,634,298					1,802,510	1,256,714
Total assets	\$ 3,212,630	\$ 1,634,906	\$ 11	\$ 837,322	\$ 5,250	\$ 1,044,010	\$ 6,734,129	\$ 5,902,607
<b>LIABILITIES</b>								
<i>Liabilities:</i>								
Accounts payable and accrued expenses	\$	\$ 558,039	\$ 11	\$ 55,980	\$	\$ 317,864	\$ 931,894	\$ 672,393
Due to other funds		504,678					504,678	
Interfund loans payable		793,352					793,352	178,370
Deposits payable		255,419					255,419	203,169
Total liabilities		2,111,488	11	55,980		317,864	2,485,343	1,053,932
<b>FUND BALANCES (DEFICITS):</b>								
Restricted for:								
Capital Improvements	3,212,630						3,212,630	2,230,557
Committed for:								
Capital Improvements		114,724		781,342		726,146	1,622,212	2,301,139
Assigned for:								
Transportation								564,290
Unassigned		(591,306)			5,250		(586,056)	(247,311)
Total fund balances	3,212,630	(476,582)		781,342	5,250	726,146	4,248,786	4,848,675
Total liabilities and fund balances	\$ 3,212,630	\$ 1,634,906	\$ 11	\$ 837,322	\$ 5,250	\$ 1,044,010	\$ 6,734,129	\$ 5,902,607

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	Capital Improvements Fund	Streets Construction Fund	Fire Station #74 Construction Fund	Parks Project Construction Fund	Special Assessment Construction Fund	General Governmental Construction Fund	2016 Total	2015 Total
<b>REVENUES</b>								
Taxes	\$ 2,604,108						\$ 2,604,108	\$ 2,723,306
Intergovernmental		2,880,961		393,154			3,274,115	2,474,634
Charges for goods and services		150,233					150,233	339,483
Investment earnings	16,841	8,243	2,514		(118)		27,480	29,615
Miscellaneous				41,706	186,104		227,810	62,274
Total revenues	2,620,949	3,039,437	2,514	434,860	185,986		6,283,746	5,629,312
<b>EXPENDITURES</b>								
<i>Current:</i>								
General government						337,665	337,665	47,102
Public safety								24,207
Transportation		1,701,907					1,701,907	1,387,976
Economic environment					1,165		1,165	5,232
Culture and recreation				80,595			80,595	28,622
<i>Debt service:</i>								
Principal					171,521		171,521	
Interest					11,380		11,380	47
Other								4,750
<i>Capital Outlay:</i>								
General government						598,039	598,039	
Public safety			13,706				13,706	2,635,141
Transportation		4,703,783					4,703,783	3,586,372
Economic environment					43,677		43,677	555,897
Culture and recreation				754,841		40,624	795,465	1,763,281
Total expenditures		6,405,690	13,706	835,436	227,743	976,328	8,458,903	10,038,627
Excess (deficiency) of revenues over (under) expenditures	2,620,949	(3,366,253)	(11,192)	(400,576)	(41,757)	(976,328)	(2,175,157)	(4,409,315)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in		1,729,906		652,361		545,000	2,927,267	3,771,553
Transfers out	(1,517,293)		(110,391)				(1,627,684)	(1,550,462)
Debt issued					294,318		294,318	713,361
Premium on general obligation debt								
Disposition of capital assets								
Total other financing sources (uses)	(1,517,293)	1,729,906	(110,391)	652,361	294,318	545,000	1,593,901	2,934,452
Net change in fund balance	1,103,656	(1,636,347)	(121,583)	251,785	252,561	(431,328)	(581,256)	(1,474,863)
Fund balances-beginning	2,108,974	1,178,398	121,583	529,557	(247,311)	1,157,474	4,848,675	6,323,538
Prior period adjustment		(18,633)					(18,633)	
Fund balances-ending	\$ 3,212,630	\$ (476,582)	\$	\$ 781,342	\$ 5,250	\$ 726,146	\$ 4,248,786	\$ 4,848,675





# COMBINING FUND STATEMENTS NONMAJOR ENTERPRISE FUNDS

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**Stormwater Fund** – is used to account for the provision of stormwater service to the residents of the City. All activities necessary to provide such service are accounted for in this fund including administration, capital outlay and debt service.

**Columbia Point Golf Course Fund** – is used to account for the activities of the Columbia Point Golf Course. All activities necessary to provide such service are accounted for in this fund including administration, capital outlay and debt service.

**Medical Services Fund** – is used to account for the provision of medical services, including ambulance transports to the residents of the City. All activities necessary to provide such service are accounted for in this fund including administration, capital outlay and debt service.

**Broadband Fund** – is used to account for the provision of access to the City's fiber optic network. All activities necessary to provide such access are accounted for in this fund including capital outlay and debt service. Until the network is fully constructed, administration is minimal.

**Utility Clearing Fund** – is used to account for the receipt and disbursement of monies from utility service deposits.

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	Stormwater Fund	Columbia Point Golf Course Fund	Medical Services Fund	Broadband Fund	Utility Clearing Fund	2016 Total	2015 Total
<b>ASSETS</b>							
<i>Current:</i>							
Cash and cash equivalents	\$ 658,760	\$ 9,694	\$ 589,170	\$ 407,820	\$ 662,024	\$ 2,327,468	\$ 2,309,997
Investments	780,616		1,245,312			2,025,928	1,711,157
Receivables:							
Customer accounts (net)	125,704	4,362	429,426	3,965	1,849	565,306	386,542
Due from other governments	502,512					502,512	27,541
Notes and contracts		100,000				100,000	100,000
Prepaid items							1,500
Inventory		63,704				63,704	72,814
Total current assets	2,067,592	177,760	2,263,908	411,785	663,873	5,584,918	4,609,551
<i>Noncurrent:</i>							
Restricted cash and cash equivalents	25,085	22,239		53,405		100,729	238,453
Restricted investments	98,433					98,433	102,999
Net pension asset			571,508			571,508	848,118
Capital:							
Land	8,587	7,879,448				7,888,035	7,888,035
Depreciable assets (net)	4,167	1,213,466	164,687	329,736		1,712,056	1,826,937
Infrastructure	7,411,526			2,519,695		9,931,221	8,159,631
Construction in progress							855,215
Total capital assets (net)	7,424,280	9,092,914	164,687	2,849,431		19,531,312	18,729,818
Total noncurrent assets	7,547,798	9,115,153	736,195	2,902,836		20,301,982	19,919,388
Total assets	9,615,390	9,292,913	3,000,103	3,314,621	663,873	25,886,900	24,528,939
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred amount on debt refunding	10,701					10,701	14,268
Pension	23,266		287,539			310,805	136,410
Deferred charges - other							
Total deferred outflows of resources	33,967		287,539			321,506	150,678
<b>LIABILITIES</b>							
<i>Current liabilities:</i>							
Accounts payable and accrued expenses	51,079	83,726	82,126	1,567		218,498	369,727
Payable to other governments		5,296				5,296	4,667
Due to other funds		70,000				70,000	41,972
Interfund loans payable		3,890				3,890	5,096
Deposits payable					663,873	663,873	691,196
Compensated absences-current	15,900		103,354			119,254	110,297
Notes and contracts payable-current	96,819					96,819	94,092
General obligation bonds payable-current		100,000		75,000		175,000	175,000
Revenue bonds payable-current	110,000					110,000	105,000
Total current liabilities	273,798	262,912	185,480	76,567	663,873	1,462,630	1,597,047
<i>Noncurrent liabilities:</i>							
Interfund loans payable		27,230				27,230	31,120
Compensated absences	15,901		103,354			119,255	110,299
Notes and contracts payable	289,083			143,522		432,605	531,044
General obligation bonds payable		3,835,521		1,983,887		5,819,408	5,995,567
Revenue bonds payable	1,021,245					1,021,245	1,133,327
Net pension liability	137,202		87,653			224,855	184,212
Unearned revenue		108,915				108,915	103,098
Total noncurrent liabilities	1,463,431	3,971,666	191,007	2,127,409		7,753,513	8,088,667
Total liabilities	1,737,229	4,234,578	376,487	2,203,976	663,873	9,216,143	9,685,714
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension	2,703		35,498			38,201	256,709
Total deferred outflows of resources	2,703		35,498			38,201	256,709
<b>NET POSITION</b>							
Net investment in capital assets	5,880,581	5,157,392	164,687	700,428		11,903,088	10,865,372
Restricted for:							
Pensions			648,424			648,424	574,051
Debt service	123,518					123,518	140,715
Capital improvements				53,405		53,405	
Unrestricted	1,905,326	(99,057)	2,062,546	356,812		4,225,627	3,157,056
Total net position	\$ 7,909,425	\$ 5,058,335	\$ 2,875,657	\$ 1,110,645	\$	\$ 16,954,062	\$ 14,737,194



**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2016 with comparative totals for 2015**

	Stormwater Fund	Columbia Point Golf Course Fund	Medical Services Fund	Broadband Fund	Utility Clearing Fund	2016 Total	2015 Total
<b>OPERATING REVENUES</b>							
<i>Charges for services:</i>							
Stormwater	\$ 1,904,042					\$ 1,904,042	\$ 1,878,917
Golf course		\$ 1,672,275				1,672,275	1,598,922
Medical services			\$ 3,846,450			3,846,450	3,386,106
Broadband				\$ 150,025		150,025	178,484
Other operating revenues		567				567	
Total operating revenues	1,904,042	1,672,842	3,846,450	150,025		7,573,359	7,042,429
<b>OPERATING EXPENSES</b>							
Maintenance and operations	629,929	1,463,300	3,095,250			5,188,479	4,852,985
Administrative and general	490,059		527,875	6,064		1,023,998	1,070,392
Taxes	193,221	10,626	33,323	12,863		250,033	251,273
Depreciation	135,480	74,475	39,686	83,653		333,294	331,030
Total operating expenses	1,448,689	1,548,401	3,696,134	102,580		6,795,804	6,505,680
Operating income/(loss)	455,353	124,441	150,316	47,445		777,555	536,749
<b>NONOPERATING REVENUES/(EXPENSES)</b>							
Investment earnings	9,765	1,552	12,721	5,481		29,519	39,928
Interest expense	(66,450)	(169,475)		(72,132)		(308,057)	(311,894)
Debt costs							(258)
Miscellaneous nonoperating revenues/ (expenses)	586,322	71,148	78,828			736,298	306,401
Total nonoperating revenues/(expenses)	529,637	(96,775)	91,549	(66,651)		457,760	34,177
Income before contributions and transfers	984,990	27,666	241,865	(19,206)		1,235,315	570,926
Capital contributions	250,131					250,131	353,485
Transfers in			550,000	210,000		760,000	3,273,819
Transfers out				(28,578)		(28,578)	(28,438)
Change in net position	1,235,121	27,666	791,865	162,216		2,216,868	4,169,792
Net position-beginning	6,674,304	5,030,669	2,083,792	948,429		14,737,194	10,526,641
Prior period adjustment							40,761
Net position-ending	\$ 7,909,425	\$ 5,058,335	\$ 2,875,657	\$ 1,110,645		\$ 16,954,062	\$ 14,737,194



**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2016 with comparative totals for 2015**

	Stormwater Fund	Columbia Point Golf Course Fund	Medical Services Fund	Broadband Fund	Utility Clearing Fund	2016 Total	2015 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 1,891,048	\$ 1,680,537	\$ 3,498,920	\$ 146,060	\$ 4,542,059	\$ 11,758,624	\$ 11,196,961
Receipts from interfund services provided							
Receipts from grants and contributions							
Payments to suppliers	(112,413)	(1,461,789)	(271,382)	(4,498)	(4,499,717)	(6,349,799)	(6,067,238)
Taxes paid	(193,298)	(9,996)	(33,323)	(12,863)		(249,480)	(267,698)
Payments to employees	(219,660)		(2,790,220)			(3,009,880)	(2,821,621)
Payments for interfund services used	(802,518)		(430,022)			(1,232,540)	(1,220,825)
Net cash provided (used) by operating activities	563,159	208,752	(26,027)	128,699	42,342	916,925	819,579
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Receipts from customers and users	2,154	71,147	9,447			82,748	21,325
Grants and contributions	109,196		1,290			110,486	512,314
Proceeds from interfund loans		70,000				70,000	41,972
Interfund loans made							
Interfund loan repayments made		(41,972)				(41,972)	(31,600)
Interfund loan repayments received							
Transfers to other funds				(28,578)		(28,578)	(28,438)
Transfers from other funds			550,000			550,000	550,000
Net cash provided (used) by noncapital financing activities	111,350	99,175	560,737	(28,578)		742,684	1,065,573
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>							
Principal paid on debt	(199,092)	(100,000)		(102,312)		(401,404)	(306,789)
Interest paid on debt	(66,708)	(172,450)		(70,649)		(309,807)	(310,635)
Transfers from other funds				210,000		210,000	2,723,819
Proceeds from debt				25,692		25,692	423,479
Bond issuance costs							
Interfund loan repayments received							
Interfund loan repayments made		(5,096)				(5,096)	(2,307,242)
Proceeds from sale of capital assets							
Proceeds from capital grants and contributions							
Payments related to acquisition, construction or improvements of capital assets	(809,794)		(14,286)	(194,481)		(1,018,561)	(1,188,510)
Net cash provided (used) by capital and related activities	(1,075,594)	(277,546)	(14,286)	(131,750)		(1,499,176)	(965,878)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Receipt of interest	20,709	1,552	12,721	5,481		40,463	35,991
Investments sold	1,117,864		682,304			1,800,168	1,079,161
Investments purchased	(876,005)		(1,245,312)			(2,121,317)	(1,800,168)
Net cash provided (used) by investing activities	262,568	1,552	(550,287)	5,481		(280,686)	(685,016)
Net change in cash and cash equivalents	(138,517)	31,933	(29,863)	(26,148)	42,342	(120,253)	234,258
Cash and cash equivalents, January 1	822,362		619,033	487,373	619,682	2,548,450	2,314,192
Cash and cash equivalents, December 31	\$ 683,845	\$ 31,933	\$ 589,170	\$ 461,225	\$ 662,024	\$ 2,428,197	\$ 2,548,450

<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Operating income/(loss)	\$ 455,353	\$ 124,441	\$ 150,315	\$ 47,445	\$	\$ 777,554	\$ 536,749
Adjustments to reconcile operating income to net cash provided from operating activities:							
Depreciation expense	135,480	74,475	39,686	83,653		333,294	331,030
Accrued pension expense	(773)		(6,785)			(7,558)	(113,320)
(Increase)/decrease in receivables	(10,116)	(2,613)	(232,942)	(3,965)	70,873	(178,763)	120,515
(Increase)/decrease in prepaid items	1,500					1,500	4,886
(Increase)/decrease in inventories		9,111				9,111	(1,698)
Increase/(decrease) in payables	(18,285)	(2,479)	23,699	1,566	(28,531)	(24,030)	(69,388)
Increase/(decrease) in unearned revenues		5,817				5,817	10,805
Other income and adjustments							
Total adjustments	107,806	84,311	(176,342)	81,254	42,342	139,371	282,830
Net cash provided (used) by operating activities	\$ 563,159	\$ 208,752	\$ (26,027)	\$ 128,699	\$ 42,342	\$ 916,925	\$ 819,579

<b>SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Contribution of capital assets	\$ 250,131					\$ 250,131	\$ 353,485

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





# INDIVIDUAL FUND STATEMENTS INTERNAL SERVICE FUNDS

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**Central Stores Fund** – is used to account for commonly used materials, supplies and inventory for resale to other departments.

**Equipment Maintenance Fund** – is used to account for the maintenance and repair of all City-owned vehicles to ensure that vehicles operate safely and efficiently.

**Equipment Replacement Fund** – is used to account for monies set aside for the future replacement of vehicles and related equipment when their useful life has expired.

**Public Works Administration & Engineering Fund** – is used to account for the cost of providing administrative and engineering services to City departments. All costs are included in rates charged to departments and funds.

**Workers' Compensation Fund** – is used to account for amounts paid for uninsured losses resulting from claims against the City. It is primarily used for Worker's Compensation on a "self-insured" basis.

**Health Care Benefits Plan Fund** – is used to account for payments for health, dental and vision insurance claims, life and disability claims and related administrative costs.

**Unemployment Fund** – is used to account for payments of claims and related administrative costs of unemployment compensation on a reimbursable basis to the State of Washington.

**Post Employment Health Care Plan Fund** – is used to account for payments of post-employment healthcare claims and related administrative costs.

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 Internal Service Funds  
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	Central Stores Fund	Equipment Maintenance Fund	Equipment Replacement Fund	Public Works Administration and Engineering Fund	Workers' Compensation Fund
<b>ASSETS</b>					
<i>Current:</i>					
Cash and cash equivalents	\$ 6,619	\$ 560,554	\$ 687,557	\$ 471,540	\$ 959,604
Deposits with third parties		200			104,000
Investments			3,465,020		
Receivables:					
Customer accounts (net)					23,880
Due from other funds			599,678		
Due from other governments		8,000			
Interfund loans			2,815		
Prepaid items				2,000	
Inventory	81,646	8,233			
Total current assets	88,265	576,987	4,755,070	473,540	1,087,484
<i>Capital:</i>					
Depreciable assets (net)		30,496	8,573,206	32,982	
Total capital assets (net)		30,496	8,573,206	32,982	
Total noncurrent assets		30,496	8,573,206	32,982	
Total assets	88,265	607,483	13,328,276	506,522	1,087,484
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension		104,786		328,630	
Total deferred outflows of resources		104,786		328,630	
<b>LIABILITIES</b>					
<i>Current liabilities:</i>					
Accounts payable and accrued expenses	1,733	77,575		66,119	97,826
Payable to other governments					
Due to other funds	25,000				
Interfund loans payable			5,424		
Leases payable-current			79,197		
Compensated absences-current		55,793		192,887	
Claims and judgments-current					139,313
Total current liabilities	26,733	133,368	84,621	259,006	237,139
<i>Noncurrent liabilities:</i>					
Interfund loans payable					
Leases payable			120,805		
Compensated absences		55,793		192,887	
Net pension liability		619,059		1,949,498	
Net OPEB obligation					
Total noncurrent liabilities		674,852	120,805	2,142,385	
Total liabilities	26,733	808,220	205,426	2,401,391	237,139
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension		12,722		43,872	
Total deferred inflows of resources		12,722		43,872	
<b>NET POSITION</b>					
Net investment in capital assets		30,496	8,373,204	32,982	
Unrestricted	61,532	(139,169)	4,749,646	(1,643,093)	850,345
Total net position	\$ 61,532	\$ (108,673)	\$ 13,122,850	\$ (1,610,111)	\$ 850,345

Health Care Benefits Plan Fund	Unemployment Fund	Post- Employment Health Care Plan Fund	2016 Total	2015 Total
\$ 1,514,420	\$ 592,131	\$ 1,584,019	\$ 6,376,444	\$ 7,182,464
			104,200	75,200
7,184,166			10,649,186	9,904,255
	1,646		25,526	284,085
			599,678	176,187
			8,000	8,300
			2,815	5,590
76,096			78,096	74,690
			89,879	126,408
8,774,682	593,777	1,584,019	17,933,824	17,837,179
			8,636,684	8,217,617
			8,636,684	8,217,617
			8,636,684	8,217,617
8,774,682	593,777	1,584,019	26,570,508	26,054,796
			433,416	251,885
			433,416	251,885
7,485	38,453	2,228	291,419	404,617
			25,000	47,581
			5,424	15,954
			79,197	119,210
			248,680	236,808
3,091,648	38,453	499,548	3,768,962	3,312,199
3,099,133	76,906	501,776	4,418,682	4,136,369
			5,424	
			120,805	200,003
			248,680	236,809
			2,568,557	2,115,865
		5,363,941	5,363,941	5,439,186
		5,363,941	8,301,983	7,997,287
3,099,133	76,906	5,865,717	12,720,665	12,133,656
			56,594	341,980
			56,594	341,980
			8,436,682	7,744,850
5,675,549	516,871	(4,281,698)	5,789,983	6,086,195
\$ 5,675,549	\$ 516,871	\$ (4,281,698)	\$ 14,226,665	\$ 13,831,045

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**Internal Service Funds**  
**For the Year Ended December 31, 2016 with comparative totals for 2015**

	Central Stores Fund	Equipment Maintenance Fund	Equipment Replacement Fund	Public Works Administration and Engineering Fund
<b>OPERATING REVENUES</b>				
<i>Charges for services:</i>				
Other services	\$ 15,775	\$ 3,212,194	\$ 2,372,770	\$ 3,139,426
Other operating revenues		8,142	27,000	29,498
Total operating revenues	<u>15,775</u>	<u>3,220,336</u>	<u>2,399,770</u>	<u>3,168,924</u>
<b>OPERATING EXPENSES</b>				
Maintenance and operations	18,002	2,889,284	28,810	2,640,451
Administrative and general		390,084	66,000	514,843
Depreciation		9,628	1,600,032	11,859
Total operating expenses	<u>18,002</u>	<u>3,288,996</u>	<u>1,694,842</u>	<u>3,167,153</u>
Operating income/(loss)	<u>(2,227)</u>	<u>(68,660)</u>	<u>704,928</u>	<u>1,771</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>				
Investment earnings			28,470	6,982
Interest expense			(16,528)	
Other interest earnings				
Miscellaneous nonoperating revenues/ (expenses)		3,840	47,395	2,006
Total nonoperating revenues/(expenses)		<u>3,840</u>	<u>59,337</u>	<u>8,988</u>
Net income (loss) before transfers	(2,227)	(64,820)	764,265	10,759
Transfers in			185,831	
Change in net position	(2,227)	(64,820)	950,096	10,759
Net position-beginning	63,759	(43,853)	12,172,754	(1,620,870)
Prior period adjustment				
Net position-ending	<u>\$ 61,532</u>	<u>\$ (108,673)</u>	<u>\$ 13,122,850</u>	<u>\$ (1,610,111)</u>



<b>Workers' Compensation Fund</b>	<b>Health Care Benefits Plan Fund</b>	<b>Unemployment Fund</b>	<b>Post- Employment Health Care Plan Fund</b>	<b>2016 Total</b>	<b>2015 Total</b>
\$ 1,586,878	\$ 9,283,406	\$ 80,917	\$ 912,216	\$ 20,603,582	\$ 19,770,977
				64,640	63,443
<u>1,586,878</u>	<u>9,283,406</u>	<u>80,917</u>	<u>912,216</u>	<u>20,668,222</u>	<u>19,834,420</u>
844,482	9,828,817	156,972	1,566,668	17,973,486	18,094,049
106,107	109,751			1,186,785	1,085,491
				1,621,519	1,771,089
<u>950,589</u>	<u>9,938,568</u>	<u>156,972</u>	<u>1,566,668</u>	<u>20,781,790</u>	<u>20,950,629</u>
<u>636,289</u>	<u>(655,162)</u>	<u>(76,055)</u>	<u>(654,452)</u>	<u>(113,568)</u>	<u>(1,116,209)</u>
6,155	36,018	6,612	19,871	104,108	174,743
				(16,528)	(22,838)
	118,508		64,028	235,777	134,993
<u>6,155</u>	<u>154,526</u>	<u>6,612</u>	<u>83,899</u>	<u>323,357</u>	<u>286,898</u>
642,444	(500,636)	(69,443)	(570,553)	209,789	(829,311)
				185,831	174,000
642,444	(500,636)	(69,443)	(570,553)	395,620	(655,311)
207,901	6,176,185	586,314	(3,711,145)	13,831,045	14,301,332
					185,024
<u>\$ 850,345</u>	<u>\$ 5,675,549</u>	<u>\$ 516,871</u>	<u>\$ (4,281,698)</u>	<u>\$ 14,226,665</u>	<u>\$ 13,831,045</u>

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**For the Year Ended December 31, 2016 with comparative totals for 2015**

	Central Stores Fund	Equipment Maintenance Fund	Equipment Replacement Fund	Public Works Administration and Engineering Fund	Workers' Compensation Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 15,775	\$ 8,442	\$	\$ 317,210	\$ 1,582,625
Receipts from interfund services provided		3,212,194	2,372,770	2,851,714	
Receipts from grants and contributions			54,000		
Payments to suppliers	13,425	(2,174,803)	(28,811)	(135,847)	(784,496)
Taxes paid					
Payments to employees		(933,092)		(2,972,814)	
Payments for interfund services used		(180,555)	(66,000)	(29,546)	(106,107)
Net cash provided (used) by operating activities	29,200	(67,814)	2,331,959	30,717	692,022
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Receipts from customers and users		3,839		2,006	(29,000)
Grants and contributions					
Proceeds from interfund loans	25,000				
Interfund loans made			(599,678)		
Interfund loan repayments made	(47,581)				
Interfund loan repayments received			178,962		
Transfers to other funds					
Transfers from other funds					
Net cash provided (used) by noncapital financing activities	(22,581)	3,839	(420,716)	2,006	(29,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>					
Principal paid on debt			(119,210)		
Interest paid on debt			(16,528)		
Transfers from other funds			185,831		
Proceeds from debt					
Bond issuance costs					
Interfund loan repayments received					
Interfund loan repayments made			(15,661)		
Proceeds from sale of capital assets			69,536		
Proceeds from capital grants and contributions					
Payments related to acquisition, construction or improvements of capital assets			(2,041,831)		
Net cash provided (used) by capital and related activities			(1,937,863)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Receipt of interest			55,908	6,982	6,155
Investments sold			3,174,988		
Investments purchased			(3,453,022)		
Net cash provided (used) by investing activities			(222,126)	6,982	6,155
Net change in cash and cash equivalents	6,619	(63,975)	(248,746)	39,705	669,177
Cash and cash equivalents, January 1		624,529	936,303	431,835	290,427
Cash and cash equivalents, December 31	\$ 6,619	\$ 560,554	\$ 687,557	\$ 471,540	\$ 959,604
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income/(loss)	\$ (2,227)	\$ (68,660)	\$ 704,927	\$ 1,771	\$ 636,289
Adjustments to reconcile operating income to net cash provided from operating activities:					
Depreciation expense		9,628	1,600,032	11,859	
Accrued pension expense		(3,465)		(10,760)	
(Increase)/decrease in receivables		2,535	27,000		(4,253)
(Increase)/decrease in prepaid items				1,542	542
(Increase)/decrease in inventories	32,377	3,447			
Increase/(decrease) in payables	(950)	(11,299)		26,305	59,444
Increase/(decrease) in unearned revenues					
Other income and adjustments					
Total adjustments	31,427	846	1,627,032	28,946	55,733
Net cash provided (used) by operating activities	\$ 29,200	\$ (67,814)	\$ 2,331,959	\$ 30,717	\$ 692,022

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

Employee Benefits Fund	Unemployment Fund	Post Employment Benefits Fund	2016 Total	2015 Total
\$ 9,342,810	\$ 80,638	\$ 912,217	\$ 12,259,717	\$ 11,388,684
			8,436,678	8,423,513
			54,000	
(9,545,577)	(112,807)	(1,219,079)	(13,987,995)	(14,162,946)
		(307,660)	(4,213,566)	(4,083,914)
(109,751)			(491,959)	(420,967)
<u>(312,518)</u>	<u>(32,169)</u>	<u>(614,522)</u>	<u>2,056,875</u>	<u>1,144,370</u>
118,508		64,028	159,381	42,364
			25,000	47,581
			(599,678)	(181,777)
			(47,581)	(46,529)
			178,962	255,503
118,508		64,028	(283,916)	117,142
			(119,210)	(113,371)
			(16,528)	(22,838)
			185,831	174,000
				11,952
			(15,661)	(15,483)
			69,536	77,748
			(2,041,831)	(652,183)
			(1,937,863)	(540,175)
93,814	6,613	19,871	189,343	158,080
6,606,867			9,781,855	9,269,764
(7,159,291)			(10,612,313)	(9,781,855)
<u>(458,610)</u>	<u>6,613</u>	<u>19,871</u>	<u>(641,115)</u>	<u>(354,011)</u>
(652,620)	(25,556)	(530,623)	(806,019)	367,326
2,167,040	617,687	2,114,642	7,182,463	6,815,138
\$ 1,514,420	\$ 592,131	\$ 1,584,019	\$ 6,376,444	\$ 7,182,464
\$ (655,164)	\$ (76,056)	\$ (654,452)	\$ (113,572)	\$ (1,116,209)
			1,621,519	1,771,089
			(14,225)	(121,379)
59,404	(279)		84,407	(22,949)
(5,490)			(3,406)	15,789
			35,824	(6,300)
288,732	44,166	39,930	446,328	624,329
342,646	43,887	39,930	2,170,447	2,260,579
<u>\$ (312,518)</u>	<u>\$ (32,169)</u>	<u>\$ (614,522)</u>	<u>\$ 2,056,875</u>	<u>\$ 1,144,370</u>





# COMBINING FUND STATEMENTS TRUST AND AGENCY FUNDS

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## *PENSION TRUST FUNDS*

***Fire Pension Trust Fund*** – is used to account for the provision of pension benefits for Firemen who retired prior to March 1, 1970, and for pension and medical benefits for active Firemen as of March 1, 1970, who retired at a later date. The fund accounts for the provision of medical expenses of LEOFF 1 employees as well.

***Police Pension Trust Fund*** – is used to account for the provision of pension benefits for Police Officers' who retired prior to March 1, 1970, and for pension and medical benefits for active Policemen as of March 1, 1970, who retired at a later date. The fund accounts for the provision of medical expenses of LEOFF 1 employees as well.

## *AGENCY FUNDS*

***Columbia Point Master Association Fund*** – is used to account for assessments to property owners for expenses associated with Columbia Point Master Association activities.

***Uptown Business Improvement District Fund*** – is used to account for assessments to property owners for expenses associated with the Uptown Shopping Center enhancement projects.

***Downtown Business Improvement District Fund*** – is used to account for assessments to property owners for expenses associated with the Parkway Shopping Center enhancement projects.

***Southeast Communications Center Fund*** – is used to account for activities of the emergency dispatch 911 agency operations.

***800 MHZ Fund*** – is used to account for activities associated with enhancements to the 800 MHZ system and to allow public safety agencies to migrate from VHF.

***Benton County Emergency Management Fund*** – is used to account for activities of emergency management operations.

***Microwave Communication Fund*** – is used to account for activities of the Microwave system that carries radio transmissions.

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Plan Net Position**  
**Pension Trust Funds**  
**December 31, 2016 with comparative totals for 2015**

	<b>Fire Pension Trust Fund</b>	<b>Police Pension Trust Fund</b>	<b>2016 Total</b>	<b>2015 Total</b>
<b>ASSETS</b>				
Cash and short term investments	\$ 307,910	\$ 148,596	\$ 456,506	\$ 633,242
Investments:				
Mutual funds	464,656	239,852	704,508	657,422
Bank certificate of deposit	200,000		200,000	
Accounts receivable				730
Interest and dividends receivable				
Interfund loans receivable	27,804		27,804	49,134
<b>Total Assets</b>	<b>1,000,370</b>	<b>388,448</b>	<b>1,388,818</b>	<b>1,340,528</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	94	11	105	541
<b>Total liabilities</b>	<b>94</b>	<b>11</b>	<b>105</b>	<b>541</b>
<b>NET POSITION</b>				
Net position restricted for pensions	443,147	175,703	618,850	599,545
Net position restricted for OPEB	557,129	212,734	769,863	740,442
<b>Total net position</b>	<b>\$ 1,000,276</b>	<b>\$ 388,437</b>	<b>\$ 1,388,713</b>	<b>\$ 1,339,987</b>

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Combining Statement of Changes in Plan Net Position**  
**Pension Trust Funds**  
**For the Year Ended December 31, 2016 with comparative totals for 2015**

	<b>Fire Pension Trust Fund</b>	<b>Police Pension Trust Fund</b>	<b>2016 Total</b>	<b>2015 Total</b>
<b>ADDITIONS:</b>				
Contributions:				
Employer-property taxes	\$ 242,946	\$	\$ 242,946	\$ 324,600
State-fire insurance premium tax	62,276		62,276	57,534
General Fund contributions		353,000	353,000	441,000
Reimbursements				
<b>Total contributions</b>	<b>305,222</b>	<b>353,000</b>	<b>658,222</b>	<b>823,134</b>
Investment income:				
Interest and dividends	30,399	12,532	42,931	42,175
Net change in fair market value of investments	31,055	16,030	47,085	(47,085)
<b>Total investment income</b>	<b>61,454</b>	<b>28,562</b>	<b>90,016</b>	<b>(4,910)</b>
<b>Total Additions</b>	<b>366,676</b>	<b>381,562</b>	<b>748,238</b>	<b>818,224</b>
<b>DEDUCTIONS:</b>				
Benefits	329,806	334,018	663,824	745,990
Administrative expenses	17,265	18,423	35,688	39,016
<b>Total deductions</b>	<b>347,071</b>	<b>352,441</b>	<b>699,512</b>	<b>785,006</b>
Change in Net Position	19,605	29,121	48,726	33,218
Net position Beginning	967,880	372,107	1,339,987	1,306,769
Prior period adjustment	12,791	(12,791)		
<b>Net position Ending</b>	<b>\$ 1,000,276</b>	<b>\$ 388,437</b>	<b>\$ 1,388,713</b>	<b>\$ 1,339,987</b>

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended December 31, 2016**

<b>Columbia Point Master Association</b>				
	<b>Balance</b>			<b>Balance</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>December 31</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,903	\$ 17,287	\$ 8,509	\$ 23,681
Receivables:				
Customer accounts (net)	102	7,206	7,487	(179)
<b>Total assets</b>	<b>\$ 15,005</b>	<b>\$ 24,493</b>	<b>\$ 15,996</b>	<b>\$ 23,502</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 603	\$ 8,554	\$ 8,509	\$ 648
Payable to other agencies	14,402	15,939	7,487	22,854
<b>Total liabilities</b>	<b>\$ 15,005</b>	<b>\$ 24,493</b>	<b>\$ 15,996</b>	<b>\$ 23,502</b>
<b>Uptown Business Improvement District</b>				
	<b>Balance</b>			<b>Balance</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>December 31</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,324	\$ 9,549	\$ 12,550	\$ 323
Receivables:				
Customer accounts (net)	3,470	11,717	12,376	2,811
<b>Total assets</b>	<b>\$ 6,794</b>	<b>\$ 21,266</b>	<b>\$ 24,926</b>	<b>\$ 3,134</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 6,794	\$ 24,133	\$ 27,793	3,134
Payable to other agencies		(2,867)	(2,867)	
<b>Total liabilities</b>	<b>\$ 6,794</b>	<b>\$ 21,266</b>	<b>\$ 24,926</b>	<b>\$ 3,134</b>
<b>Downtown Business Improvement District</b>				
	<b>Balance</b>			<b>Balance</b>
	<b>January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>December 31</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,464	\$ 7,379	\$ 4,194	\$ 6,649
Receivables:				
Customer accounts (net)	3,990	9,472	10,616	2,846
<b>Total assets</b>	<b>\$ 7,454</b>	<b>\$ 16,851</b>	<b>\$ 14,810</b>	<b>\$ 9,495</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 7,454	\$ 13,555	\$ 11,514	\$ 9,495
Payable to other agencies		3,296	3,296	
<b>Total liabilities</b>	<b>\$ 7,454</b>	<b>\$ 16,851</b>	<b>\$ 14,810</b>	<b>\$ 9,495</b>



**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Changes in Assets and Liabilities, continued**  
**Agency Funds**  
**For the Year Ended December 31, 2016**

	<b>Southeast Communications Center</b>			
	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,915,414	\$ 7,761,376	\$ 8,556,407	\$ 2,120,383
Receivables:				
Customer accounts (net)	12,977	1,967,798	1,968,997	11,778
Due from other governments	143,242	146,963	143,242	146,963
Prepaid items	1,936	17,300	1,936	17,300
Interfund Loans	5,045		5,045	
Capital assets:				
Depreciable assets (net)	744,385	1,184,147	192,385	1,736,147
Construction in progress	363,420		363,420	
Total capital assets (net)	1,107,805	1,184,147	555,805	1,736,147
Total assets	<u>\$ 4,186,419</u>	<u>\$ 11,077,584</u>	<u>\$ 11,231,432</u>	<u>\$ 4,032,571</u>

<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 67,770	5,176,588	5,153,449	\$ 90,909
Deposits payable				
Compensated absences	225,355	97,298	128,057	194,596
Payable to other agencies	3,893,294	5,803,698	5,949,926	3,747,066
Total liabilities	<u>\$ 4,186,419</u>	<u>\$ 11,077,584</u>	<u>\$ 11,231,432</u>	<u>\$ 4,032,571</u>

	<b>800 MHZ Project</b>			
	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 280,634	\$ 775,356	\$ 883,283	\$ 172,707
Receivables:				
Customer accounts (net)	97,627	408,868	442,380	64,115
Capital assets:				
Land				
Depreciable assets (net)	6,491,150	30,838	890,605	5,631,383
Total capital assets (net)	6,491,150	30,838	890,605	5,631,383
Total assets	<u>\$ 6,869,411</u>	<u>\$ 1,215,062</u>	<u>\$ 2,216,268</u>	<u>\$ 5,868,205</u>

<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 4,217	\$ 779,445	\$ 781,543	\$ 2,119
Payable to other agencies	6,865,194	435,617	1,434,725	5,866,086
Total liabilities	<u>\$ 6,869,411</u>	<u>\$ 1,215,062</u>	<u>\$ 2,216,268</u>	<u>\$ 5,868,205</u>

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Changes in Assets and Liabilities, continued**  
**Agency Funds**  
**For the Year Ended December 31, 2016**

<b>Benton County Emergency Management</b>				
	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1	\$ 1,103,579	\$ 1,067,936	\$ 35,644
Receivables:				
Customer accounts (net)	33,838	74,811	108,649	
Due from other governments	94,277	94,497	94,277	94,497
Prepaid items	230		230	
Capital assets:				
Land	14,593			14,593
Depreciable assets (net)	1,095,738	75,130	90,168	1,080,700
Total capital assets (net)	1,110,331	75,130	90,168	1,095,293
<b>Total assets</b>	<b>\$ 1,238,677</b>	<b>\$ 1,348,017</b>	<b>\$ 1,361,260</b>	<b>\$ 1,225,434</b>

<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 10,312	\$ 705,555	\$ 702,548	\$ 13,319
Interfund loans payable	5,045		5,045	
Compensated absences	46,037	11,427	34,611	22,853
Notes and contracts payable		22,971		22,971
Payable to other agencies	1,177,283	608,064	619,056	1,166,291
<b>Total liabilities</b>	<b>\$ 1,238,677</b>	<b>\$ 1,348,017</b>	<b>\$ 1,361,260</b>	<b>\$ 1,225,434</b>

<b>Microwave Communication</b>				
	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 59,221	\$ 101,963	\$ 85,888	\$ 75,296
Capital assets:				
Depreciable assets (net)				
Total capital assets (net)				
<b>Total assets</b>	<b>\$ 59,221</b>	<b>\$ 101,963</b>	<b>\$ 85,888</b>	<b>\$ 75,296</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 11,563	\$ 68,815	\$ 77,747	\$ 2,631
Payable to other agencies	47,658	33,148	8,141	72,665
<b>Total liabilities</b>	<b>\$ 59,221</b>	<b>\$ 101,963</b>	<b>\$ 85,888</b>	<b>\$ 75,296</b>

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statement of Changes in Assets and Liabilities, concluded**  
**Agency Funds**  
**For the Year Ended December 31, 2016**

	<b>Total Agency Funds</b>			
	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,276,961	\$ 9,776,489	\$ 10,618,767	\$ 2,434,683
Receivables:				
Customer accounts (net)	152,004	2,479,872	2,550,505	81,371
Due from other governments	237,519	241,460	237,519	241,460
Prepaid items	2,166	17,300	2,166	17,300
Interfund Loans	5,045		5,045	
Capital assets:				
Land	14,593			14,593
Depreciable assets (net)	8,331,273	1,290,115	1,173,158	8,448,230
Construction in progress	363,420		363,420	
Total capital assets (net)	8,709,286	1,290,115	1,536,578	8,462,823
Total assets	<u>\$ 12,382,981</u>	<u>\$ 13,805,236</u>	<u>\$ 14,950,580</u>	<u>\$ 11,237,637</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 108,713	\$ 6,776,645	\$ 6,763,103	\$ 122,255
Interfund loans payable	5,045		5,045	
Compensated absences	271,392	108,725	162,668	217,449
Notes and contracts payable		22,971		22,971
Payable to other agencies	11,997,831	6,896,895	8,019,764	10,874,962
Total liabilities	<u>\$ 12,382,981</u>	<u>\$ 13,805,236</u>	<u>\$ 14,950,580</u>	<u>\$ 11,237,637</u>



## **STATISTICAL SECTION**

This section provides detailed information as a context for understanding the overall financial health of the City as it relates to other presentations made within the Comprehensive Annual Financial Report. Information is presented in the following five categories: 1) Financial Trends, 2) Revenue Capacity, 3) Debt Capacity, 4) Demographic and Economic Information and 5) Operating Information.

### ***FINANCIAL TRENDS – Tables 1-5***

These schedules contain trend information to assist the reader in understanding how the City's financial performance and well-being have changed over time:

1. Tax Revenues by Source – Governmental Funds, Last Ten Fiscal Years
2. Changes in Fund Balances – Governmental Funds, Last Ten Fiscal Years
3. Net Position, Last Ten Fiscal Years
4. Changes in Net Position, Last Ten Fiscal Years
5. Fund Balances – Governmental Funds, Last Ten Fiscal Years

### ***REVENUE CAPACITY – Tables 6-10***

These schedules contain information to assist the reader in assessing the City's most significant local revenue sources, property and sales taxes:

6. Property Tax Levies & Collections, Last Ten Fiscal Years
7. Assessed & Actual Value of Taxable Property, Last Ten Fiscal Years
8. Direct & Overlapping Property Tax Rates, Last Ten Fiscal Years
9. Sales Tax Received by Category, Last Ten Calendar Years
10. Principal Property Taxpayers for 2016 & 2007

### ***DEBT CAPACITY – Tables 11-15***

These schedules present information to assist the reader in assessing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

11. Pledged Revenue Coverage, Last Ten Fiscal Years
12. Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
13. Ratio of Net General Bonded to Assessed Value and Net Bonded Debt Per Capita, Last Ten Fiscal Years
14. Direct & Overlapping Debt - Governmental Activities, as of December 31, 2016
15. Legal Debt Margin, Last Ten Fiscal Years

### ***DEMOGRAPHIC & ECONOMIC INFORMATION – Tables 16-17***

These schedules contain information to assist the reader in assessing the socio-economic environment within which the government operates and to provide information that facilitates comparisons of financial statement information over time and among governments:

16. Demographic & Economic Statistics, Last Ten Fiscal Years
17. Principal Employers for 2016 & 2007

### ***OPERATING INFORMATION – Tables 18-21***

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

18. Operating Indicators by Function/Program, Last Ten Fiscal Years
19. Top Ten Customers for Selected Utilities
20. Full-Time Equivalent City Government Employees by Function/Program, Last Ten Fiscal Years
21. Capital Asset Statistics by Function/Program, Last Ten Fiscal Years

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Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

**CITY OF RICHLAND, WASHINGTON**  
**Comprehensive Annual Financial Report**  
**Statistical Section - Financial Trends Information**  
**Table 1 - Tax Revenues by Source - Governmental Funds**  
**Last Ten Fiscal Years**

	PROPERTY TAX	PROPERTY TAX FOR DEBT SERVICE	RETAIL SALES AND USE TAX	RETAIL SALES CRIMINAL JUSTICE TAX	UTILITY TAX	OTHER TAXES	REAL ESTATE EXCISE TAX	HOTEL/ MOTEL TAX	SPECIAL LODGING ASSESSMENT	TOTAL TAXES
2016	\$ 14,722,114	\$ 2,158,587	\$ 11,674,335	\$ 2,760,442	\$ 12,356,871	\$ 851,112	\$ 2,604,109	\$ 951,284	\$ 483,456	\$ 48,562,310
2015	13,980,379	2,214,160	10,650,322	2,565,294	11,593,613	556,328	2,723,306	958,100	484,999	45,726,501
2014	13,596,507	2,060,964	10,065,562	925,518	11,888,548	515,103	1,687,157	824,271	414,340	41,977,970
2013	13,092,855	1,908,799	9,361,199	889,801	10,097,332	477,250	1,265,067	780,495	307,241	38,180,039
2012	12,615,011	1,793,364	8,375,646	825,776	10,239,354	401,116	1,382,607	710,818	282,671	36,626,363
2011	12,323,521	1,569,219	9,269,443	887,629	9,511,684	451,337	1,393,880	770,443	335,005	36,512,161
2010	11,958,856	1,944,976	8,452,044	826,032	9,690,045	382,612	1,484,306	775,983	357,084	35,871,937
2009	11,502,106	1,840,157	7,699,891	767,926	9,767,619	339,323	1,155,433	736,423	345,103	34,153,979
2008	10,888,009	1,651,655	7,638,802	742,380	8,897,368	374,302	1,414,080	727,756	319,360	32,653,712
2007	10,602,531	788,821	7,859,062	653,991	8,807,488	271,188	1,536,526	681,169	335,279	31,536,056
<b>CHANGE</b>										
<b>2007-2016</b>	<b>38.85%</b>	<b>173.65%</b>	<b>48.55%</b>	<b>322.09%</b>	<b>40.30%</b>	<b>213.85%</b>	<b>69.48%</b>	<b>39.65%</b>	<b>44.20%</b>	<b>53.99%</b>

The increase in 2016 for property taxes reflects the completion of several large commercial construction projects which significantly increased Richland's assessed valuation.

Retail sales tax also saw robust growth during 2016, from both new construction and an influx of retail activity. Other taxes' increase includes amusement tax from a new theater.

The significant increase in 2015 for Criminal Justice Retail Sales Tax is the result of a voted .3% increase which went into effect 1/1/15. This is a 10 year commitment.

In late 2015, a commercial sale transaction of \$150M occurred, resulting in a sizeable, one time increase in Real Estate Excise Tax.

The 2014 Utility Tax increase was the result of a modification in the calculation process for consistency and compliance with the Richland Municipal Code throughout all City utilities.

Retail sales tax in 2013 includes the first six months' distribution of Local Revitalization Financing state contribution totaling \$268,724.

The increase in Retail Sales and Use taxes in 2010 was due to a new tax on candy and soft drinks that went into effect January 1, 2010. The tax was repealed by voters later that year.

The Other Tax category includes Admission, Leasehold and Gambling Tax.

CITY OF RICHLAND, WASHINGTON  
 Comprehensive Annual Financial Report  
 Statistical Section - Financial Trends Information  
 Table 2 - Changes in Fund Balances, Governmental Funds  
 Last Ten Fiscal Years (modified accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>REVENUES</b>										
Taxes	\$ 48,562,310	\$ 45,726,501	\$ 41,977,970	\$ 38,180,039	\$ 36,626,363	\$ 36,512,161	\$ 35,871,937	\$ 34,153,979	\$ 32,653,712	\$ 31,536,054
Licenses & permits	2,840,787	2,677,317	2,599,993	2,318,857	2,205,971	2,347,311	2,403,401	1,867,785	2,178,368	2,124,450
Intergovernmental	6,440,906	5,948,208	8,144,118	8,039,627	6,106,051	9,711,729	6,544,817	5,453,003	6,832,807	6,453,927
Charges for services	12,137,127	8,128,419	7,704,122	7,809,058	7,732,806	7,934,217	8,309,594	7,361,912	7,587,492	6,626,824
Fines & forfeits	607,288	818,967	817,764	856,819	916,385	939,720	982,873	1,063,761	967,829	994,178
Investment earnings	262,805	288,682	306,015	69,257	290,597	415,985	202,126	412,146	1,092,599	1,802,356
Rents & leases	1,515,781	1,453,179	717,412	722,765	1,973,441	649,786	588,935	594,814	565,614	460,513
Miscellaneous revenues	876,706	572,642	854,155	548,334	1,101,510	786,136	1,023,644	691,192	746,306	3,356,065
Total revenues	\$ 73,243,710	\$ 65,613,915	\$ 63,121,549	\$ 58,544,756	\$ 56,953,124	\$ 59,297,045	\$ 55,927,327	\$ 51,598,592	\$ 52,624,727	\$ 53,354,368
<b>EXPENDITURES</b>										
<i>Current:</i>										
Judicial	\$ 736,826	\$ 752,070	\$ 685,091	\$ 618,486	\$ 712,698	\$ 627,958	\$ 615,558	\$ 550,576	\$ 483,003	\$ 493,772
General government	14,043,533	13,379,397	13,729,256	12,355,068	12,445,145	12,677,728	11,787,472	13,990,135	11,490,889	11,139,343
Public safety	24,484,789	20,044,753	18,986,726	18,944,406	18,574,463	18,227,258	17,661,244	16,976,083	16,532,144	15,281,860
Physical environment	246,912	243,518	239,111	232,690	223,263	229,895	221,807	213,215	208,625	201,609
Transportation	4,103,281	3,627,432	3,338,151	4,233,541	4,028,906	3,968,762	3,082,685	3,532,324	3,757,189	4,145,193
Health & human services	14,097	11,954	8,742	11,193	12,756	11,675	11,811	11,015	10,425	8,053
Economic environment	4,792,141	4,919,136	8,960,064	7,924,653	5,812,773	6,131,509	6,403,864	5,444,364	4,953,528	4,835,848
Culture & recreation	6,606,846	6,407,652	5,850,173	6,076,924	5,962,775	6,042,759	5,916,801	5,984,501	5,555,287	5,494,349
<i>Debt service:</i>										
Principal	3,486,943	5,306,461	3,179,431	3,448,941	2,913,457	2,810,000	4,005,000	2,450,000	2,385,000	2,180,000
Interest	1,339,549	1,424,949	1,649,496	1,620,922	1,487,880	1,614,032	1,658,375	1,747,312	1,874,739	1,657,901
Other	2,104	149,563	4,856	97,859	601	605	36,591	2,309	2,912	2,309
<i>Capital Outlay:</i>										
General government	683,833	147,702	542,084	718,240	546,014	174,549	1,735,866	358,280	144,565	195,306
Public safety	46,549	2,652,865	764,037	41,719	238,889	114,045	308,558	99,199	103,229	82,577
Physical environment	-	-	-	-	-	-	-	-	-	-
Transportation	4,703,783	3,642,872	4,851,676	1,897,292	4,196,697	6,730,723	3,182,461	4,288,074	4,354,447	7,658,724
Economic environment	443,802	962,546	651,117	100,674	482,941	30,937	97,172	70,529	8,275	506,520
Culture & recreation	824,702	2,007,747	1,673,709	4,223,887	1,512,683	2,006,123	1,234,803	8,637,860	7,733,014	3,165,151
Total expenditures	66,559,690	65,680,617	65,113,720	62,546,495	59,151,941	61,398,558	57,960,068	64,355,776	59,597,271	57,048,516
Excess (deficiency) of revenues over (under) expenditures	6,684,020	(66,702)	(1,992,171)	(4,001,739)	(2,198,817)	(2,101,513)	(2,032,741)	(12,757,184)	(6,972,544)	(3,694,148)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	4,806,778	5,592,968	8,392,194	6,479,976	6,995,101	7,597,172	11,223,114	7,736,187	11,064,054	10,583,222
Transfers out	(5,584,031)	(9,007,349)	(9,254,722)	(8,687,825)	(8,351,837)	(8,068,733)	(12,525,831)	(9,107,145)	(12,909,304)	(12,260,834)
Debt issued	294,318	15,098,361	3,355,000	11,115,000	-	-	3,920,000	-	-	17,250,000
Premium on general obligation debt	-	1,565,869	123,353	91,249	-	-	106,161	-	-	948,434
Payment to ref. bond escrow agent	-	(13,794,724)	-	-	-	-	-	-	-	-
Disposition of capital assets	508,884	287,522	3,714,337	476,346	241,111	1,376,809	2,195,654	154,038	2,519,318	1,400,266
Insurance recoveries	10,000	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	35,949	(257,353)	6,330,162	9,474,746	(1,115,625)	905,248	4,919,098	(1,216,920)	674,068	17,921,088
Net change in fund balances	6,719,969	(324,055)	4,337,991	5,473,007	(3,314,442)	(1,196,265)	2,886,357	(13,974,104)	(6,298,476)	14,226,940
Prior period adjustments	(18,633)	-	(786,281)	(1,104,578)	-	241,848	-	(126,842)	(305,497)	-
Total net change in fund balances	\$ 6,701,336	\$ (324,055)	\$ 3,551,710	\$ 4,368,429	\$ (3,314,442)	\$ (954,417)	\$ 2,886,357	\$ (14,100,946)	\$ (6,603,973)	\$ 14,226,940
<b>Debt service as a % of noncapital expenditures</b>	<b>8.06%</b>	<b>11.96%</b>	<b>8.53%</b>	<b>9.12%</b>	<b>8.44%</b>	<b>8.45%</b>	<b>11.02%</b>	<b>8.25%</b>	<b>9.01%</b>	<b>8.45%</b>

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**Table 3 - Net Position**  
**Last Ten Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>GOVERNMENTAL ACTIVITIES</b>										
Net Investment in Capital Assets	\$ 92,515,556	\$ 77,921,984	\$ 77,393,420	\$ 86,339,502	\$ 86,531,857	\$ 87,445,853	\$ 85,596,859	\$ 89,953,344	\$ 90,764,468	\$ 91,539,470
Restricted	27,908,406	12,390,522	13,984,508	5,164,524	3,483,745	3,356,389	8,210,325	7,646,895	18,720,050	17,812,239
Unrestricted	2,628,947	4,241,680	11,434,107	18,833,768	25,648,175	29,067,800	24,516,771	20,174,118	14,197,923	13,253,557
<b>TOTAL GOVERNMENTAL ACTIVITIES NET POSITION</b>	<b>123,052,909</b>	<b>94,554,186</b>	<b>102,812,035</b>	<b>110,337,794</b>	<b>115,663,777</b>	<b>119,870,042</b>	<b>118,323,955</b>	<b>117,774,357</b>	<b>123,682,441</b>	<b>122,605,266</b>
<b>BUSINESS-TYPE</b>										
Net Investment in Capital Assets	158,307,907	150,079,976	146,876,162	145,327,567	131,225,438	117,579,433	114,712,702	97,683,923	97,252,443	96,287,052
Restricted	15,883,919	16,628,777	14,119,797	13,802,274	19,804,051	22,038,604	15,049,152	15,310,155	11,502,589	10,303,480
Unrestricted	16,376,163	14,315,523	19,969,244	14,909,806	12,750,453	16,402,531	21,550,164	22,717,251	20,560,529	17,682,523
<b>TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION</b>	<b>190,567,989</b>	<b>181,024,276</b>	<b>180,965,203</b>	<b>174,039,647</b>	<b>163,779,942</b>	<b>156,020,568</b>	<b>151,312,018</b>	<b>135,711,329</b>	<b>129,315,563</b>	<b>124,273,054</b>
<b>PRIMARY GOVERNMENT</b>										
Net Investment in Capital Assets	250,823,463	228,001,960	224,269,582	231,667,069	217,757,295	205,025,286	200,309,561	187,637,267	188,016,911	187,826,522
Restricted	43,792,325	29,019,299	28,104,305	18,966,798	23,287,796	25,394,993	23,259,477	22,957,050	30,222,639	28,115,718
Unrestricted	19,005,110	18,557,203	31,403,351	33,743,574	38,398,628	45,470,331	46,066,935	42,891,369	34,758,452	30,936,080
<b>TOTAL PRIMARY GOVERNMENT NET POSITION</b>	<b>\$ 313,620,898</b>	<b>\$ 275,578,462</b>	<b>\$ 283,777,238</b>	<b>\$ 284,377,441</b>	<b>\$ 279,443,719</b>	<b>\$ 275,890,610</b>	<b>\$ 269,635,973</b>	<b>\$ 253,485,686</b>	<b>\$ 252,998,004</b>	<b>\$ 246,878,320</b>



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**Table 4 - Changes in Net Position**  
**Last Ten Years (accrual basis of accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
<i>Governmental Activities:</i>										
Judicial	\$ 736,826	\$ 752,070	\$ 685,091	\$ 618,486	\$ 712,698	\$ 627,958	\$ 615,558	\$ 550,576	\$ 483,003	\$ 493,772
General Government	15,442,282	14,260,390	14,389,809	12,622,646	12,799,300	12,875,968	14,658,005	14,537,462	11,962,826	11,655,690
Public Safety	26,983,227	21,032,731	24,966,795	19,744,479	20,091,515	19,004,418	13,146,635	16,021,859	16,902,855	16,200,197
Physical Environment	246,912	243,518	239,111	232,690	223,263	229,895	221,807	215,364	180,774	217,957
Transportation	6,534,382	11,977,801	11,719,930	12,449,384	12,261,359	11,707,903	11,150,022	10,838,583	10,758,636	11,128,255
Health & human services	14,097	11,954	8,742	11,193	12,756	11,675	11,811	11,015	10,425	8,053
Economic Environment	5,594,614	5,456,432	9,544,697	7,942,776	6,051,751	6,308,358	7,076,630	5,724,997	5,252,015	5,096,107
Culture & Recreation	8,005,109	7,821,561	11,051,111	7,291,514	7,205,154	7,108,146	7,921,404	6,623,574	6,132,878	6,010,067
Interest on Long-Term Debt	1,229,272	1,489,579	1,583,907	1,670,320	1,437,334	1,542,686	1,756,217	1,725,977	1,858,001	1,747,070
Total Governmental Activities	64,786,721	63,046,036	74,189,193	62,583,488	60,795,130	59,417,007	56,558,089	56,249,407	53,541,413	52,557,168
<i>Business-Type Activities:</i>										
Electric & Gas	59,375,689	54,615,686	54,489,969	53,419,986	48,046,928	45,539,459	44,772,564	42,717,311	43,160,460	40,341,785
Water	10,989,873	9,903,328	10,332,007	10,264,897	9,959,311	9,864,232	9,849,914	9,172,943	8,925,632	8,548,813
Sewer	8,265,826	6,880,869	7,493,696	7,501,259	7,611,549	7,984,939	7,224,539	7,202,354	6,780,386	6,301,989
Solid Waste	5,812,417	8,675,356	6,930,515	7,001,150	6,540,027	7,426,222	6,769,877	5,990,169	5,486,939	4,921,240
Stormwater	1,306,497	1,532,140	1,343,853	1,318,630	1,244,857	1,239,561	1,204,054	1,178,828	1,160,303	994,748
Golf Course	1,717,876	1,612,671	1,596,480	1,590,702	1,519,204	1,542,116	1,475,335	1,341,871	1,390,938	1,477,572
Medical Services	3,602,718	3,036,998	3,363,682	3,032,903	2,856,359	2,976,632	2,805,624	2,615,842	2,441,302	2,226,134
Broadband	174,712	180,575	175,358	76,966	-	-	-	-	-	-
Total Business-Type Activities	91,245,608	86,437,623	85,725,560	84,206,493	77,778,235	76,573,161	74,101,907	70,219,318	69,345,960	64,812,281
Total Primary Government Expenses	\$ 156,032,329	\$ 149,483,659	\$ 159,914,753	\$ 146,789,981	\$ 138,573,365	\$ 135,990,168	\$ 130,659,996	\$ 126,468,725	\$ 122,887,373	\$ 117,369,449
<b>Program Revenues</b>										
<i>Governmental Activities:</i>										
<i>Charges for Services</i>										
Judicial	\$ 559,077	\$ 768,944	\$ 769,654	\$ 773,448	\$ 860,813	\$ 878,511	\$ 921,729	\$ 1,012,701	\$ 911,492	\$ 1,015,710
General Government	7,444,746	7,343,592	6,761,340	7,042,606	6,821,453	7,090,180	7,156,208	6,955,300	6,622,028	4,333,350
Public Safety	3,989,347	273,209	259,832	371,450	231,460	190,061	156,206	176,441	245,399	174,086
Physical Environment	49,105	53,203	55,542	51,607	52,396	51,555	53,099	54,523	55,951	4,396,473
Transportation	782,394	1,020,948	831,610	772,067	861,952	678,533	525,496	364,290	1,080,559	741,640
Health & human services	41,360	111,038	68,991	72,420	524,181	120,503	260,734	285,875	-	-
Economic Environment	4,095,516	2,981,634	3,071,528	2,146,768	3,487,891	2,394,814	3,261,318	1,861,782	2,923,981	1,499,358
Culture & Recreation	1,401,316	986,815	895,685	953,049	910,772	1,162,255	905,792	656,997	722,123	888,186
Operating Grants and Contributions	1,826,779	2,184,976	1,440,860	1,867,067	2,148,431	2,210,676	2,332,638	1,989,004	1,861,943	1,467,234
Capital Grants and Contributions	3,343,624	2,544,143	5,296,154	4,809,008	2,761,967	6,022,409	2,751,068	1,994,008	3,568,605	3,532,959
Total Governmental Activities	23,533,264	18,268,502	19,451,196	18,859,490	18,661,316	20,799,497	18,324,288	15,350,921	17,992,081	18,048,994

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**Table 4 - Changes in Net Position (continued)**  
**Last Ten Years (accrual basis of accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<i>Business-Type Activities:</i>										
Charges for Services										
Electric	63,520,869	57,994,539	57,340,303	\$ 54,945,920	\$ 48,213,393	\$ 49,368,499	\$ 47,533,730	\$ 48,356,937	\$ 46,221,214	\$ 45,346,760
Water	14,691,287	14,407,590	13,902,732	13,254,942	12,502,676	11,481,750	11,379,986	11,548,340	11,492,632	11,326,191
Sewer	9,269,282	9,186,121	8,962,953	8,691,716	8,582,653	8,943,282	9,837,064	7,998,399	7,535,066	7,135,370
Solid Waste	8,628,477	8,346,077	7,712,288	8,237,305	4,982,677	7,244,141	6,925,655	5,943,696	6,237,907	6,364,628
Stormwater	2,448,339	2,103,726	2,303,127	2,280,477	2,830,931	2,082,373	1,987,399	1,687,218	1,399,153	1,179,871
Golf Course	1,743,990	1,605,653	1,555,413	1,628,586	1,477,589	1,567,050	1,510,461	1,515,478	1,429,944	1,394,317
Medical Services	3,857,186	3,401,521	3,282,576	2,868,451	2,333,394	2,197,763	2,200,642	2,136,403	1,781,878	2,097,152
Broadband	150,025	178,484	240,000	170,811	-	-	-	-	-	-
Operating Grants and Contributions	68,092	63,827	204,324	-	-	-	8,925	4,126	1,644	1,439
Capital Grants and Contributions	4,269,608	4,367,793	4,882,561	7,954,915	8,838,913	3,256,666	3,016,065	1,693,970	2,562,860	2,743,986
Total Business-Type Activities	108,647,155	101,655,331	100,386,277	100,033,123	89,762,226	86,141,524	84,399,927	80,884,567	78,662,298	77,589,714
Total Primary Government Revenues	\$ 132,180,419	\$ 119,923,833	\$ 119,837,473	\$ 118,892,613	\$ 108,423,542	\$ 106,941,021	\$ 102,724,215	\$ 96,235,488	\$ 96,654,379	\$ 95,638,708
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (41,253,457)	\$ (44,777,534)	\$ (54,737,997)	\$ (43,723,998)	\$ (42,133,814)	\$ (38,617,510)	\$ (38,233,801)	\$ (40,898,486)	\$ (35,549,332)	\$ (34,508,174)
Business-type Activities	17,401,547	15,217,708	14,660,717	15,826,630	11,983,991	9,568,363	10,298,020	10,665,249	9,316,338	12,777,433
Total Primary Government Net Expense	\$ (23,851,910)	\$ (29,559,826)	\$ (40,077,280)	\$ (27,897,368)	\$ (30,149,823)	\$ (29,049,147)	\$ (27,935,781)	\$ (30,233,237)	\$ (26,232,994)	\$ (21,730,741)
<b>General Revenues</b>										
<i>Governmental Activities:</i>										
Property Taxes	\$ 16,889,650	\$ 16,201,248	\$ 15,622,185	\$ 15,030,647	\$ 14,439,678	\$ 13,865,439	\$ 13,848,298	\$ 13,396,443	\$ 12,630,335	\$ 11,324,930
Sales Taxes	14,434,778	13,215,616	10,991,080	10,251,001	9,201,422	10,157,072	9,278,077	8,467,816	8,381,182	8,513,052
B&O Taxes	3,383,237	3,597,958	3,952,587	4,041,508	3,825,359	3,976,461	4,295,754	4,421,720	3,735,671	3,750,303
Other Taxes	6,611,152	6,281,555	4,847,975	3,998,315	4,661,573	4,400,842	4,456,219	4,046,274	4,237,755	4,295,267
Investment Earnings	331,460	404,278	564,215	190,182	388,599	496,464	285,768	412,145	1,092,599	1,802,356
Disposition of Capital Assets	6,681	-	-	-	-	-	-	-	-	-
Disposition of Land Held for Resale	441,158	287,522	3,714,337	476,346	121,733	1,376,809	1,895,208	154,038	2,519,318	1,400,266
Insurance Recoveries	10,000	-	-	-	-	-	-	-	-	-
Miscellaneous	5,517,170	650,375	1,232,707	1,157,306	-	-	-	-	-	-
Transfers	8,196,381	4,581,273	7,073,433	4,528,264	5,118,713	5,648,662	4,724,075	4,493,295	4,335,447	4,398,354
Total Governmental Activities	55,821,667	45,219,825	47,998,519	39,673,569	37,757,077	39,921,749	38,783,399	35,391,731	36,932,307	35,484,528
<i>Business-Type Activities:</i>										
Investment Earnings	342,502	427,386	414,790	(309,414)	935,302	797,471	372,230	401,288	926,134	1,221,154
Transfers	(8,196,381)	(4,581,273)	(7,073,433)	(4,528,264)	(5,118,713)	(5,648,662)	(4,724,075)	(4,493,295)	(4,335,447)	(4,398,354)
Total Business-Type Activities	(7,853,879)	(4,153,887)	(6,658,643)	(4,837,678)	(4,183,411)	(4,851,191)	(4,351,845)	(4,092,007)	(3,409,313)	(3,177,200)
Total Primary Government	\$ 47,967,788	\$ 41,065,938	\$ 41,339,876	\$ 34,835,891	\$ 33,573,666	\$ 35,070,558	\$ 34,431,554	\$ 31,299,724	\$ 33,522,994	\$ 32,307,328

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 Table 4 - Changes in Net Position (concluded)  
 Last Ten Years (accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Change in Net Position - Current Year</b>										
Governmental Activities	\$ 14,568,210	\$ 442,291	\$ (6,739,478)	\$ (4,050,429)	\$ (4,376,737)	\$ 1,304,239	\$ 549,598	\$ (5,506,755)	\$ 1,382,975	\$ 976,354
Business-type Activities	9,547,668	11,063,821	8,002,074	10,988,952	7,800,580	4,717,172	5,946,175	6,573,242	5,907,025	9,600,233
<b>Total Change - Current Year</b>	<b>24,115,878</b>	<b>11,506,112</b>	<b>1,262,596</b>	<b>6,938,523</b>	<b>3,423,843</b>	<b>6,021,411</b>	<b>6,495,773</b>	<b>1,066,487</b>	<b>7,290,000</b>	<b>10,576,587</b>
<b>Change in Net Position - Changes in Accounting Principles</b>										
Governmental Activities	-	(8,700,140)	-	-	(170,976)	170,472	-	-	-	-
Business-type Activities	-	(10,978,522)	-	-	(1,277,474)	-	-	-	(829,843)	-
<b>Total Change - Accounting Principles</b>	<b>-</b>	<b>(19,678,662)</b>	<b>-</b>	<b>-</b>	<b>(1,448,450)</b>	<b>170,472</b>	<b>-</b>	<b>-</b>	<b>(829,843)</b>	<b>-</b>
<b>Change in Net Position - Prior Period Adjustments</b>										
Governmental Activities	13,930,513	-	(786,281)	(1,104,578)	-	241,848	-	(401,329)	(305,497)	-
Business-type Activities	(3,955)	(26,226)	(1,076,518)	548,227	(41,206)	(8,622)	9,654,514	(177,476)	(34,676)	(24,503)
<b>Total Change - Prior Period Adjustments</b>	<b>13,926,558</b>	<b>(26,226)</b>	<b>(1,862,799)</b>	<b>(556,351)</b>	<b>(41,206)</b>	<b>233,226</b>	<b>9,654,514</b>	<b>(578,805)</b>	<b>(340,173)</b>	<b>(24,503)</b>
<b>Total Change in Net Position</b>	<b>\$ 38,042,436</b>	<b>\$ (8,198,776)</b>	<b>\$ (600,203)</b>	<b>\$ 6,382,172</b>	<b>\$ 1,934,187</b>	<b>\$ 6,425,109</b>	<b>\$ 16,150,287</b>	<b>\$ 487,682</b>	<b>\$ 6,119,984</b>	<b>\$ 10,552,084</b>

In 2008, the City adjusted the measurement basis used to calculate the liability for landfill closure from acres filled to cell volume consumed (in tons). The liability was increased by \$829,843 as a result of this change. Per GASB Statement 18, changes in estimates are reported primarily in the period of change.

In 2011, the beginning balance of Net Position for Governmental Activities was restated by \$170,472 to reflect the capitalization of infrastructure not previously captured.

In 2012, the beginning balance of Net Position was restated by \$1,448,450 to reflect the effects of implementation of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* and correct the Broadband Fund classification from a governmental fund to an enterprise fund.

In 2015, the beginning balance of Net Position was restated by \$19,678,662 to reflect the effects of implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*.

In 2016, the City recognized the value of \$8,934,884 land held for resale by governmental activities on the Statement of Net Position for the first time. Also, a depreciation error was corrected, restoring \$9,479,815 in carrying value to transportation infrastructure in governmental activities.

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**Table 5 - Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years (modified accrual basis of accounting)**

	<b>*2016</b>	<b>*2015</b>	<b>*2014</b>	<b>*2013</b>	<b>*2012</b>	<b>*2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>General Fund</b>										
Nonspendable	\$ 26,818	\$ 19,425	\$ 2,379,932	\$ 2,294,528	\$ 2,294,515	\$ 2,294,528	\$ -	\$ -	\$ -	\$ -
Restricted (1)	472,947	431,324	275,916	221,077	198,913	230,206	2,306,146	2,306,128	2,311,528	24,849
Committed	750,998	958,643	1,102,645	1,196,905	1,371,122	1,590,021	-	-	-	-
Assigned (2)	107,808	104,662	236,704	316,066	389,161	409,840	-	-	-	-
Unassigned (3)	17,805,052	11,012,089	6,991,885	5,064,256	6,276,627	8,145,341	7,382,261	5,773,994	7,714,403	9,753,280
<b>Total General Fund</b>	<b>\$ 19,163,623</b>	<b>\$ 12,526,143</b>	<b>\$ 10,987,082</b>	<b>\$ 9,092,832</b>	<b>\$ 10,530,338</b>	<b>\$ 12,669,936</b>	<b>\$ 9,688,407</b>	<b>\$ 8,080,122</b>	<b>\$ 10,025,931</b>	<b>\$ 9,778,129</b>
<b>All Other Governmental Funds</b>										
Nonspendable	\$ 120,042	\$ 73,290	\$ 69,239	\$ 70,566	\$ 72,730	\$ 69,925	\$ -	\$ -	\$ -	\$ -
Restricted (1)	13,912,020	11,959,198	14,063,433	4,969,548	3,776,661	3,126,183	2,388,660	1,452,508	1,977,996	949,389
Committed	4,603,581	4,536,674	4,624,882	2,187,418	2,683,255	3,833,411	-	-	-	-
Assigned (2)	1,187,186	2,851,066	2,338,337	12,231,248	4,495,098	4,740,702	2,567,747	1,539,974	3,350,888	1,781,521
Unassigned (3)	(586,056)	(247,311)	(59,858)	(80,207)	(624,707)	(192,340)	10,557,120	11,243,273	21,062,007	30,511,751
<b>Total All Other Governmental Funds</b>	<b>\$ 19,236,773</b>	<b>\$ 19,172,917</b>	<b>\$ 21,036,033</b>	<b>\$ 19,378,573</b>	<b>\$ 10,403,037</b>	<b>\$ 11,577,881</b>	<b>\$ 15,513,527</b>	<b>\$ 14,235,755</b>	<b>\$ 26,390,891</b>	<b>\$ 33,242,661</b>

\*This table has been modified to include the appropriate fund balance designations as mandated by GASB Statement 54 for years beginning 2011.

(1) Restricted was previously "Reserved For:"

(2) Assigned was previously "Unreserved, Designated For:"

(3) Unassigned was previously "Unreserved, Undesignated"

Governmental Funds include General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds

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**Table 6 - Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year	Original Tax		Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Levy	Adjustments		Amount Collected	Percentage of Original Levy		Amount Collected	Percentage of Adjusted Levy
2016	\$ 17,119,203	\$ (91,801)	\$ 17,027,402	\$ 16,733,833	97.75%	\$ -	\$ 16,733,833	98.28%
2015	16,522,897	(63,606)	16,459,291	16,261,792	98.42%	109,348	16,371,140	99.46%
2014	16,023,806	(94,916)	15,928,890	15,726,405	98.14%	202,485	15,928,890	100.00%
2013	15,285,836	(47,704)	15,238,132	14,999,602	98.13%	238,530	15,238,132	100.00%
2012	14,802,077	(88,585)	14,713,492	14,544,623	98.26%	168,869	14,713,492	100.00%
2011	14,184,835	(38,655)	14,146,180	13,981,223	98.56%	164,957	14,146,180	100.00%
2010	14,234,127	(39,251)	14,194,876	13,998,983	98.35%	195,893	14,194,876	100.00%
2009	13,823,855	(78,328)	13,745,527	13,461,836	97.38%	283,691	13,745,527	100.00%
2008	12,979,878	(26,813)	12,953,065	12,714,572	97.96%	238,493	12,953,065	100.00%
2007	11,607,996	(7,565)	11,600,431	11,457,130	98.70%	143,301	11,600,431	100.00%

SOURCE:  
Benton County Treasurer

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**Table 7 - Assessed and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

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<b>YEAR</b>	<b>REAL</b>	<b>PERSONAL</b>	<b>CORPORATE</b>	<b>TOTAL TAXABLE **ASSESSED VALUE (in \$1,000)</b>	<b>TOTAL DIRECT TAX RATE</b>
2016	\$ 5,467,952	\$ 307,889	\$ 34,746	\$ 5,810,587	\$ 2.9470
2015	5,173,975	325,312	35,077	5,534,364	2.9771
2014	5,023,330	312,302	33,576	5,369,208	2.9840
2013	4,822,508	293,204	31,893	5,147,605	2.9697
2012	4,656,375	301,558	34,339	4,992,272	2.9654
2011	4,393,628	285,918	31,551	4,711,097	3.0119
2010	4,196,011	309,493	30,627	4,536,131	3.1399
2009	4,088,187	287,165	30,204	4,405,556	3.1392
2008	3,595,529	226,651	30,689	3,852,869	3.3674
2007	3,254,056	218,175	28,809	3,501,040	3.3073

\*\*Benton County provides the assessed value at year end and that valuation is used to determine the next year's tax amount. Washington State Law requires that the assessed valuation be based upon 100% of the market value of the property, therefore the ratio of total assessed value to total estimated value will always be equal to 100%.

Benton County Assessor's office is unable to provide totals for tax exempt property in the City.

SOURCE:  
Benton County Assessor's Office/Tax Collections - Mary Christen

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 Table 8 - Direct and Overlapping Property Tax Rates  
 Last Ten Fiscal Years

FISCAL YEAR	CITY GENERAL AND SPECIAL LEVY	DEBT SERVICE FUND	FIRE PENSION FUND	TOTAL CITY DIRECT	BENTON COUNTY	RICHLAND SCHOOL DISTRICT	PORT OF BENTON	MOSQUITO CONTROL	WASHINGTON STATE	TOTAL DIRECT AND OVERLAPPING TAX RATES
2016	\$ 2.4014	\$ 0.3205	\$ 0.2250	\$ <b>2.9470</b>	\$ 1.2694	\$ 4.8731	\$ 0.3984	\$ 0.0821	\$ 2.1378	\$ <b>11.7078</b>
2015	2.3904	0.3616	0.2250	<b>2.9771</b>	1.2799	4.8919	0.4012	0.0767	2.3044	<b>11.9311</b>
2014	2.4021	0.3569	0.2250	<b>2.9840</b>	1.2831	4.8247	0.3989	0.0952	2.3194	<b>11.9053</b>
2013	2.3865	0.3582	0.2250	<b>2.9697</b>	1.2796	4.3825	0.4055	0.0965	2.3914	<b>11.5252</b>
2012	2.3860	0.3544	0.2250	<b>2.9654</b>	1.2771	4.2985	0.4196	0.0931	2.3154	<b>11.3691</b>
2011	2.4520	0.3349	0.2250	<b>3.0119</b>	1.3265	4.4235	0.4276	0.1279	2.1478	<b>11.4651</b>
2010	2.4829	0.4320	0.2250	<b>3.1399</b>	1.3433	4.3251	0.4225	0.1536	2.0057	<b>11.3901</b>
2009	2.4891	0.4251	0.2250	<b>3.1392</b>	1.3766	4.1694	0.4215	0.1536	1.9240	<b>11.1843</b>
2008	2.7046	0.4378	0.2250	<b>3.3674</b>	1.4440	4.8215	0.4557	0.1403	1.9807	<b>12.2095</b>
2007	2.8579	0.2244	0.2250	<b>3.3073</b>	1.4865	4.7534	0.4687	0.1529	2.2554	<b>12.4242</b>

SOURCE:  
 Benton County Assessor's Office

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**Table 9 - General Sales Tax Received by Category\***  
**Last Ten Calendar Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Retail Trade	\$ 5,529,111	\$ 5,234,632	\$ 4,815,193	\$ 4,489,485	\$ 4,320,712	\$ 4,210,717	\$ 4,053,235	\$ 3,678,338	\$ 3,949,145	\$ 3,414,483
Services	1,931,452	1,667,874	1,520,341	1,491,479	1,432,053	1,792,031	1,599,233	1,280,465	2,072,131	1,132,722
Contracting	2,012,688	1,789,601	1,600,446	1,464,016	1,258,138	1,579,938	1,134,213	1,244,900	1,536,329	1,998,800
Manufacturing	185,430	202,883	191,190	217,383	155,423	181,066	143,814	160,929	129,090	123,916
Trans/Com/Utilities	460,129	386,733	369,025	369,083	385,068	417,728	400,282	405,197	323,880	448,818
Government	196,829	197,601	169,197	156,272	193,403	160,740	146,458	138,054	166	298
Wholesaling	691,015	703,143	725,796	726,688	630,853	747,511	693,762	630,131	569,372	526,854
Financial/Ins/Real Estate	85,092	65,712	62,040	56,777	57,773	27,698	60,242	61,632	318,620	63,742
Other Business	67,218	26,874	51,083	21,422	16,265	150,595	56,782	12,289	20,917	46,723
<b>Total</b>	<b>\$ 11,158,964</b>	<b>\$ 10,275,053</b>	<b>\$ 9,504,311</b>	<b>\$ 8,992,605</b>	<b>\$ 8,449,688</b>	<b>\$ 9,268,024</b>	<b>\$ 8,288,021</b>	<b>\$ 7,611,935</b>	<b>\$ 8,919,649</b>	<b>\$ 7,756,356</b>

Source: Tax Tools

\*This revenue is reported on a cash basis.



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**Table 10 - Principal Property Taxpayers for 2016**  
**and Nine Years Ago**

<b>PRINCIPAL TAXPAYERS 2016</b>	<b>NATURE OF BUSINESS</b>	<b>ASSESSED VALUATION</b>	<b>% OF TOTAL ASSESSED VALUE</b>
Lex Richland L.P.	Cold Warehouse Distribution Facilities	\$ 144,224,560	2.48%
Siemens Nuclear Power Corp.	Nuclear Fuels Production	105,602,860	1.82%
Battelle Memorial Institute	Research & Development	67,766,320	1.17%
Extended Legacy, LLC	Real Estate Development	61,767,700	1.06%
Notus Holding, LLC	Property Management	57,992,140	1.00%
ConAgra Foods	Packaged Food Company	37,521,471	0.65%
Cowperwood BSF/CSF, LLC	Property Management	37,159,431	0.64%
The Villas at Meadow Springs LLC	Property Management	33,783,628	0.58%
Ferguson Enterprises, LLC	Distribution Facility	30,732,930	0.53%
First Richland L.P.	Property Management	30,062,478	0.52%
RPQ Delaware LLC	Property Management	25,350,040	0.44%
SMI Group XVIII LLC	Commercial Real Estate Sector	24,191,460	0.42%

\*Total Assessed Valuation for the City of Richland in 2016 = \$5,810,586,971

<b>PRINCIPAL TAXPAYERS 2007</b>	<b>NATURE OF BUSINESS</b>	<b>ASSESSED VALUATION</b>	<b>% OF TOTAL ASSESSED VALUE</b>
Framatome ANP (Formerly Siemens)	Nuclear Fuels Production	\$ 86,678,680	2.48%
Battelle Pacific NW National Laboratories	Research & Development	50,031,770	1.43%
Lamb-Weston Inc.	Food Processing	40,037,710	1.14%
Ferguson Enterprises, Inc	Distribution Facility	32,888,011	0.94%
Smart Park Phase I, LLC	Real Estate Development	31,064,020	0.89%
Centurion Properties III LLC	Property Management	30,459,700	0.87%
Oregon Metallurgical Corp	Manufacturing	24,571,970	0.70%
VMSI LLC	Research & Development	22,250,000	0.64%
Bellavista LLC	Property Management	19,529,430	0.56%
General Telephone of the N. W.	Telephone Utility	17,861,630	0.51%

\*Total Assessed Valuation for the City of Richland in 2007 = \$3,501,040,508

SOURCE: Benton County Assessor's Office

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**Table 11 - Pledged Revenue Coverage**  
**Last Ten Fiscal Years**

ELECTRIC	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross Revenue	\$ 60,948,980	\$ 57,175,952	\$ 57,725,491	\$ 54,887,343	\$ 48,413,848	\$ 49,519,430	\$ 47,692,113	\$ 48,523,936	\$ 46,594,952	\$ 45,940,361
Less Operating Expenses	47,571,933	44,681,835	44,692,957	43,749,747	40,718,952	38,305,864	37,988,550	36,835,441	37,136,807	35,001,389
Net Amount Available For Debt Service	13,377,047	12,494,117	13,032,534	11,137,596	7,694,896	11,213,566	9,703,563	11,688,495	9,458,145	10,938,972
Principal	2,765,000	2,665,000	2,560,000	2,055,000	1,890,000	1,820,000	1,760,000	2,115,000	2,055,000	2,120,000
Interest	3,146,253	2,583,570	2,552,067	2,498,330	2,374,403	2,433,531	2,518,932	1,935,945	1,987,914	1,837,829
Total Annual Debt Service	5,911,253	5,248,570	5,112,067	4,553,330	4,264,403	4,253,531	4,278,932	4,050,945	4,042,914	3,957,829
Electric Debt Coverage	2.263	2.380	2.549	2.446	1.804	2.636	2.268	2.885	2.339	2.764
Revenue derived from Residential/Commercial Electric Sales										
WATER/SEWER										
Gross Revenue	24,050,544	23,758,423	23,072,818	22,013,016	21,385,013	20,705,260	21,323,381	19,664,915	19,664,915	19,362,428
Less Operating Expenses	14,118,828	12,257,270	12,094,951	12,142,075	11,485,912	11,086,722	10,241,469	9,941,415	9,305,320	8,946,780
Net Amount Available For Debt Service	9,931,716	11,501,153	10,977,867	9,870,941	9,899,101	9,618,538	11,081,912	9,723,500	10,359,595	10,415,648
Principal	4,152,539	4,005,653	4,053,821	3,972,041	3,974,307	3,696,692	3,470,975	3,295,975	2,930,348	2,730,562
Interest	1,217,410	1,360,957	1,568,069	1,739,106	1,756,490	1,923,703	1,997,150	2,093,897	2,270,577	2,313,075
Total Annual Debt Service	5,369,949	5,366,610	5,621,890	5,711,147	5,730,797	5,620,395	5,468,125	5,389,872	5,200,925	5,043,637
Water/Sewer Debt Coverage	1.849	2.143	1.953	1.728	1.727	1.711	2.027	1.804	1.992	2.065
Revenue derived from Residential/Commercial Water and Sewer charges										
SOLID WASTE										
Gross Revenue	9,454,184	8,357,968	7,706,624	7,617,929	7,583,025	7,311,969	6,964,030	6,021,578	6,383,461	6,643,937
Less Operating Expenses	6,834,452	7,188,986	6,771,135	6,564,223	6,275,497	5,986,898	6,107,917	5,646,436	5,032,426	4,799,783
Net Amount Available For Debt Service	2,619,732	1,168,982	935,489	1,053,706	1,307,528	1,325,071	856,113	375,142	1,351,035	1,844,154
Principal	120,000	115,000	115,000	110,000	110,000	105,000	468,000	110,000	105,000	95,000
Interest	13,651	17,114	20,037	22,629	25,012	27,113	89,101	97,478	103,148	108,183
Total Annual Debt Service	133,651	132,114	135,037	132,629	135,012	132,113	557,101	207,478	208,148	203,183
Solid Waste Debt Coverage	19.601	8.848	6.928	7.945	9.685	10.030	1.537	1.808	6.491	9.076
Revenue derived from Residential/Commercial Garbage Collection and Landfill Charges										

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**Table 11 - Pledged Revenue Coverage (concluded)**  
**Last Ten Fiscal Years**

STORMWATER	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross Revenue	\$ 1,915,962	\$ 1,893,741	\$ 1,769,387	\$ 1,747,598	\$ 1,828,527	\$ 2,056,014	\$ 1,915,472	\$ 1,695,289	\$ 1,415,485	\$ 1,183,840
Less Operating Expenses	1,149,489	1,260,137	1,129,395	1,103,933	1,059,781	1,026,227	1,011,640	917,055	968,469	827,632
Net Amount Available For Debt Service	766,473	633,604	639,992	643,665	768,746	1,029,787	903,832	778,234	447,016	356,208
Principal	199,092	107,623	102,306	102,001	101,710	96,430	96,163	80,712	60,660	55,424
Interest	66,450	67,634	69,466	71,434	74,464	76,994	79,511	65,403	58,289	61,125
Total Annual Debt Service	265,542	175,257	171,772	173,435	176,174	173,424	175,674	146,115	118,949	116,549
Stormwater Debt Coverage	2.886	3.615	3.726	3.711	4.364	5.938	5.145	5.326	3.758	3.056

Revenue derived from Residential/Commercial Stormwater charge

COLUMBIA POINT GOLF COURSE										
Gross Revenue	1,744,975	1,606,953	1,557,942	1,632,229	1,482,508	1,571,551	1,532,382	1,527,929	1,447,757	1,419,840
Less Operating Expenses	1,473,926	1,369,361	1,350,128	1,331,674	1,271,852	1,290,024	1,283,318	1,233,629	1,179,272	1,196,674
Net Amount Available For Debt Service	271,049	237,592	207,814	300,555	210,656	281,527	249,064	294,300	268,485	223,166
Principal	100,000	95,000	95,000	90,000	90,000	88,890	30,000	230,000	215,000	203,890
Interest	169,475	173,488	178,085	194,496	181,543	186,457	115,536	40,786	152,000	230,727
Total Annual Debt Service	269,475	268,488	273,085	284,496	271,543	275,347	145,536	270,786	367,000	434,617
Columbia Point Golf Course Coverage	1.0058	0.8849	0.7610	1.0564	0.7758	1.0224	1.7114	1.0868	0.7316	0.5135

Revenue derived from Public Golf Course Fees/Charges including retail sales

BROADBAND										
Gross Revenue	155,506	187,463	452,209	43,671	-	-	-	-	-	-
Less Operating Expenses	18,927	26,150	59,723	-	-	-	-	-	-	-
Net Amount Available For Debt Service	136,579	161,313	392,486	43,671	-	-	-	-	-	-
Principal	102,312	104,166	75,000	50,000	-	-	-	-	-	-
Interest	72,132	70,772	68,439	48,298	-	-	-	-	-	-
Total Annual Debt Service	174,444	174,938	143,439	98,298	-	-	-	-	-	-
Broadband Coverage	0.7829	0.9221	2.7363	0.4443	-	-	-	-	-	-

Revenue derived from Fiber Optic Leases/Charges including retail sales

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**Table 12 - Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES							TOTAL DEBT	% OF PERSONAL INCOME	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	SPECIAL ASSESSMENT BONDS	CERB LOAN, WSDOT LOAN, ULID BAN	*GOLF COURSE GENERAL OBLIGATION/REVENUE BONDS	ELECTRIC REVENUE BONDS	WATER SEWER REVENUE BONDS	*SOLID WASTE/BROADBAND GENERAL OBLIGATION BONDS	STORMWATER AND SOLID WASTE REVENUE BONDS	PUBLIC WORKS TRUST FUND, ECOLOGY, AND BENTON PUD LOANS, CAPITAL LEASES				
2016	\$ 32,265,000	-	\$ 1,328,964	\$ 3,875,000	\$ 66,810,000	\$ 25,330,000	\$ 2,475,000	\$ 1,125,000	\$ 10,434,188	\$ 143,643,152	7.41%	2,689	
2015	35,490,000	-	1,296,607	3,975,000	69,575,000	28,200,000	2,670,000	1,230,000	11,930,977	154,367,584	8.28%	2,908	
2014	38,985,000	-	671,467	4,070,000	52,805,000	30,925,000	2,860,000	1,330,000	12,542,130	144,188,597	7.88%	2,768	
2013	38,710,000	-	770,898	4,165,000	55,365,000	35,015,000	3,050,000	1,425,000	13,640,768	152,141,666	8.04%	2,974	
2012	30,695,000	-	1,369,839	4,255,000	48,120,000	37,710,000	845,000	1,520,000	14,924,810	139,439,649	8.26%	2,795	
2011	33,260,000	-	1,468,296	4,345,000	50,010,000	39,375,000	955,000	1,615,000	16,216,848	147,245,144	8.87%	2,999	
2010	35,390,000	-	1,768,296	4,810,000	51,830,000	41,875,000	1,060,000	1,705,000	17,169,509	155,607,805	8.40%	3,238	
2009	36,555,000	-	1,068,296	5,055,000	53,590,000	44,290,000	-	3,295,000	15,401,398	159,254,694	8.71%	3,359	
2008	38,930,000	25,000	1,118,296	5,285,000	43,855,000	44,685,000	-	2,460,000	15,060,162	151,418,458	9.05%	3,286	
2007	41,190,000	100,000	1,168,296	5,500,000	45,260,000	46,595,000	-	2,620,000	14,109,670	156,542,966	9.69%	3,473	

\*Prior to 2010, Solid Waste Bonds and Golf Course bonds were issued as Revenue Bonds; In 2010 both bond issues were refunded and issued as General Obligation Bonds for Business Activities

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements and the Schedule of Long Term Liabilities

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**Statistical Section - Debt Capacity Information**

**Table 13 - Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years**

<b>TAX YEAR</b>	<b>POPULATION (1)</b>	<b>*ASSESSED VALUE (2)</b>	<b>GENERAL OBLIGATION BONDS</b>	<b>MONIES AVAILABLE FOR DEBT SERVICE</b>	<b>NET GO BOND DEBT</b>	<b>RATIO NET BONDED GO DEBT TO ASSESSED VALUE</b>	<b>NET BONDED GO DEBT PER CAPITA</b>
2016	53,410	\$ 5,810,586,971	\$ 38,615,000	\$ 1,663,620	\$ 36,951,380	0.64%	\$ 691.84
2015	53,080	5,534,363,683	42,135,000	2,137,687	39,997,313	0.72%	753.53
2014	52,090	5,369,208,018	45,915,000	2,672,115	43,242,885	0.81%	830.16
2013	51,150	5,147,604,881	45,925,000	2,666,367	43,258,633	0.84%	845.72
2012	49,890	4,992,272,077	35,795,000	3,274,796	32,520,204	0.65%	651.84
2011	49,090	4,711,097,355	38,560,000	4,042,902	34,517,098	0.73%	703.14
2010	48,058	4,536,131,221	41,260,000	5,983,493	35,276,507	0.78%	734.04
2009	47,410	4,405,555,654	36,555,000	6,395,104	30,159,896	0.68%	636.15
2008	46,080	3,852,869,332	38,930,000	7,100,164	31,829,836	0.83%	690.75
2007	45,070	3,501,040,508	41,190,000	8,438,899	32,751,101	0.94%	726.67

**SOURCES:**

(1) State of Washington

(2) Benton County Assessor's Office (Assessed Valuation)

\*The assessed valuation is completed in November of the previous tax year.

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**Statistical Section - Debt Capacity Information**

**Table 14 - Direct and Overlapping Debt- Governmental Activities**

**As of December 31, 2016**

<u>DIRECT DEBT</u>	AMOUNT
Voted General Obligation Debt	\$ 13,875,000
Councilmanic General Obligation Debt	18,390,000
Councilmanic Loans (includes CERB, ULID and WSDOT Loans)	1,328,964
<b>TOTAL DIRECT DEBT</b>	<b>33,593,964</b>

<u>OVERLAPPING DEBT</u>	(1)	(2)	AMOUNT
(For debt paid with property taxes)	OUTSTANDING	PERCENT	OVERLAPPING
<u>Jurisdiction</u>	<u>DEBT</u>	<u>APPLICABLE</u>	<u>OVERLAPPING</u>
Benton County	\$ 13,483,362	33.99%	\$ 4,582,995
Richland School District #400	120,775,000	79.12%	95,557,180
Kennewick School District #17	113,410,000	4.20%	4,763,220
Kiona Benton School District #52	6,737,880	0.01%	674
Port of Benton	3,320,000	58.65%	1,947,180
Fire District No. 1	1,407,666	7.14%	100,507
		<b>TOTAL OVERLAPPING DEBT</b>	<b>\$ 106,951,756</b>

GOVERNMENTAL ACTIVITIES DEBT RATIOS

Assessed Valuation - 2016 (Established in November 2015 for the 2016 tax year)	\$ 5,810,586,971
Population	53,410
Net Direct Debt to Assessed Valuation	0.58%
Net Direct Debt and Overlapping Debt to Assessed Valuation	2.42%
Per Capita Assessed Value	\$ 108,792
Per Capita Net Direct Debt	\$ 629
Per Capita Total Direct Debt and Overlapping Debt	\$ 2,631

Councilmanic Debt and Other Obligations consists of:

2005 LTGO - Refunding Bonds	\$ 595,000
2006 LTGO - Improvement and Refunding Bonds	3,505,000
2010 LTGO - IT Facility/1998 Refunding	1,450,000
2013 LTGO A- LRF	9,730,000
2014 LTGO -Fire Station Construction	3,110,000
	<b>\$ 18,390,000</b>

Voted GO Debt:	2015 UTGO - Refunding Bonds/2005/2007	\$ 13,875,000
		<b>\$ 13,875,000</b>

- (1) Outstanding Debt Represents Total General Obligation Debt related to governmental activities.  
 (2) Applicable Percentage is Determined by Ratio of Assessed Valuation of Property Subject to Taxation in the Overlapping Unit to Valuation of Property Subject to Taxation in the Reporting Unit.

SOURCE: Benton County Assessor's Office

CITY OF RICHLAND, WASHINGTON  
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 Statistical Section - Debt Capacity Information  
 Table 15 - Legal Debt Margin  
 Last Ten Fiscal Years

FOR FISCAL YEAR ENDING DECEMBER 31

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 435,794,023	\$ 415,077,276	\$ 402,690,601	\$ 386,070,366	\$ 374,420,406	\$ 353,332,302	\$ 340,209,843	\$ 330,416,674	\$ 288,965,200	\$ 262,578,038
Total net debt applicable to debt limit	31,930,344	41,293,920	43,914,352	43,714,096	39,967,230	33,279,285	36,119,917	31,440,746	40,048,296	42,358,296
Legal Debt Margin	\$ 403,863,679	\$ 373,783,356	\$ 358,776,249	\$ 342,356,270	\$ 334,453,176	\$ 320,053,017	\$ 304,089,926	\$ 298,975,928	\$ 248,916,904	\$ 220,219,742
Total net debt applicable to the limit as a percentage of debt limit	7.33%	9.95%	10.91%	11.32%	10.67%	9.42%	10.62%	9.52%	13.86%	16.13%

The City's legal debt limit as mandated by RCW 39.36.020 is 7.5% of the value of taxable property in the city limits. The following limits and exceptions apply to the legal debt limit:

- 2.5% for general purposes - Up to 1.5% can be without a vote of the people
- 2.5% for utility purposes with a 3/5 vote of the people
- 2.5% for open space, park facilities and capital facilities associated with economic development with a 3/5 vote of the people.

This table is completed using guidance from BARS, for completing the Schedule of Indebtedness. The assets that offset the debt are comprised of cash and cash equivalents of the debt service funds.

\* Beginning in 2016 we have removed GO debt related to business type activities per GASB 44

**CITY OF RICHLAND, WASHINGTON**  
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**Statistical Section**  
**Table 16 - Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Richland Population (1)</b>	<b>*Per Capita Income (2)</b>	<b>Total Personal Income</b>	<b>*Median Age (3)</b>	<b>School Enrollment (4)</b>	<b>Annual Unemployment Rate (5)</b>
2016	53,410	\$ 41,752	\$ 2,229,974,320	37.4	13,400	6.9%
2015	53,080	40,956	2,173,944,480	37.5	12,690	6.1%
2014	52,090	38,926	2,027,655,340	37.5	12,300	6.7%
2013	51,150	38,163	1,952,037,450	37.5	11,930	8.0%
2012	49,890	38,059	1,898,763,510	39.0	11,700	8.6%
2011	49,090	38,182	1,874,354,380	38.7	11,282	7.1%
2010	48,058	36,673	1,762,431,034	38.6	11,100	6.7%
2009	47,410	35,815	1,697,989,150	38.4	10,729	6.3%
2008	46,080	35,641	1,642,337,280	38.4	10,350	4.7%
2007	45,070	33,565	1,512,774,550	37.9	10,317	4.7%

**SOURCES:**

- (1) City of Richland, Office of Business and Economic Development
- (2) Bureau of Economic Analysis, US Dept of Commerce, Metropolitan Statistical Area Kennewick-Richland, [www.bea.gov](http://www.bea.gov)
- (3) US Census, American Community Survey, [www.census.gov/acs](http://www.census.gov/acs)
- (4) Richland School District, [www.rsd.edu](http://www.rsd.edu)
- (5) Washington State Employment Security Department - Bureau of Labor Statistics, [www.fortress.wa.gov/esd/employmentdata](http://www.fortress.wa.gov/esd/employmentdata)

\*2014 and 2016 Per Capita Income is estimated

\*2015-2016 Median Age are estimated



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**Table 17 - Principal Employers for 2016**  
**and Nine Years Ago**

<b>PRINCIPAL EMPLOYERS 2016</b>	<b>RANK</b>	<b>NATURE OF BUSINESS</b>	<b>NUMBER OF EMPLOYEES</b>
Battelle Memorial Institute	1	Research & Development	3,862
Kadlec Regional Medical Center	2	Health Services	3,739
Bechtel National, Inc.	3	Engineering and Consultation	2,347
Washington River Protection Solutions LLC	4	DOE Contractor	1,815
Mission Support Alliance, LLC	5	DOE Contractor	1,711
Richland School District	6	K-12 Education	1,500
Energy Northwest	7	Power Generation Facility	1,219
Areva Inc.	8	Nuclear Fuels Production	965
City of Richland	9	Municipality	490
Washington Closure Hanford LLC	10	DOE Contractor	478

<b>PRINCIPAL EMPLOYERS 2007</b>		<b>NATURE OF BUSINESS</b>	<b>NUMBER OF EMPLOYEES</b>
Battelle Pacific NW National Laboratories	1	Research & Development	4,188
Fluor Hanford, Inc.	2	Radioactive Waste Management	3,597
Bechtel Hanford Inc.	3	Engineering and Consultation	2,197
Kadlec Medical Center	4	Medical Services	1,462
Richland School District	5	K-12 Education	1,191
Energy Northwest	6	Power Generation Facility	1,165
CH2M Hill Hanford Group, Inc.	7	Engineering and Consultation	1,087
Areva NP, Inc.	8	Nuclear Fuels Production	627
City of Richland	9	Municipality	503
Lockheed Martin Services	10	Information Technology	442

SOURCE: City of Richland Business License Database, RSD website, City of Richland Payroll

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**Table 18 - Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>FUNCTION/PROGRAM:</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>PUBLIC SAFETY</b>										
<i>POLICE</i>										
Number of Employees	79.20	77.20	71.90	71.90	71.90	70.30	69.80	69.80	70.50	66.30
Ratio of Employees to Population	1/674	1/688	1/724	1/711	1/689	1/698	1/689	1/679	1/654	1/680
Part 1 Crimes	1,490	1,413	1,295	1,246	1,395	1,496	1,027	1,192	1,156	1,360
Calls for Service	29,411	28,066	27,526	26,327	25,964	27,611	29,486	32,001	32,762	24,310
Traffic Accidents	931	811	667	712	642	647	642	578	600	592
<i>FIRE:</i>										
Number of Employees	63.00	62.70	57.75	57.75	57.75	57.75	58.00	58.00	58.00	58.00
Ratio of Employees to Population	1/848	1/847	1/902	1/886	1/858	1/850	1/829	1/817	1/794	1/763
Fire Calls	1,683	1,587	1,383	1,490	1,454	1,459	1,256	1,282	1,310	1,217
Ambulance Calls	4,814	4,715	4,408	3,939	4,008	3,921	3,998	3,787	3,604	3,292
<b>CULTURE &amp; RECREATION</b>										
<i>LIBRARY:</i>										
Number of Patron Visits	587,135	547,885	567,645	532,195	617,041	642,181	798,630	140,124 <sup>2</sup>	N/A <sup>1</sup>	293,463
Annual Circulation	798,336	807,639	726,629	706,527	755,324	774,840	767,453	528,193	514,202	572,366
Reference Requests	24,700	30,266	31,507	33,089	33,580	35,736	40,709	34,856	26,120	27,921
<i>PARKS &amp; RECREATION:</i>										
Parks	58	58	58	58	58	62	60	59.35	62	58
Park Acreage-Undeveloped	1,695	1,695	1,695	1,695	1,770	1,770	1592.72	1592.72	2,083	1,750
Park Acreage-Developed	650	650	650	650	500	500 <sup>4</sup>	683.48	683.48	677	649
<b>ECONOMIC DEVELOPMENT</b>										
Building Permits Issued	2,125	2,017	1,979	2,144	2,065	2,089	2,261	1,740	1,553	1,630
Value of Permits in Millions	279.27	237.56	256.39	163.29	151.15	189.74	168.82	96.28	244.96	176.2
Business Licenses Issued	4,949	4,940	4,879	4,730	4,493	4,402	4,346	4,276	4,228	3,962
<b>TRANSPORTATION</b>										
Street Resurfacing (in lane miles)	17.1	18.5	7.4	6.01	6.16	9.32	3.4	2.07	2.05	2.16
City Streets cleaned (X per year)	4	5	5	5	4	4	4	3	4	3

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**Table 18 - Operating Indicators by Function/Program**  
**Last Ten Fiscal Years (Continued)**

<b>FUNCTION/PROGRAM:</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>BUSINESS-TYPE ACTIVITIES</b>										
<i>ELECTRIC</i>										
New Connections	323	289	294	350	494	618	597	318	309	428
Total Consumption (kilowatt hr)millions	880	880	896	852	835	855	858.2	856.3	819.6	802.3
No. of Customers <sup>7</sup>	26,260	26,304	23,067	22,793	22,179	24,635	24,017	23,599	23,451	22,984
<i>WATER</i>										
New Connections	303	269	262	277	272	293	345	192	346	391
Daily Ave Consumption(millions/gal)	16.4	16.8	16.4	15.3	13.9	14.4	14.4	14.3	14.5	14.85
Max Daily Plant Capacity(millions/gal)	30	30	30	30	30	30	30	30	30	30
No. of Customers <sup>6</sup>	18,052	18,652	17,655	17,393	17,138	17,408	16,698	16,589	16,759	16,273
<i>SEWER</i>										
Daily Average Treatment (millions/gal)	5.8	5.6	5.6	5.5	5.6	6.6	5.6	5.6	5.4	5.4
Max Daily Plant Capacity(millions/gal)	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
No. of Customers <sup>5</sup>	20,284	19,972	18,077	17,752	17,469	17,981	15,964	16,813	18,658	18,588
<i>GARBAGE &amp; SOLID WASTE</i>										
Residential Landfill Visitors	29,269	29,263	27,679	29,627	28,678	35,529	41,007	56,928	45,068	42,100
Commercial Landfill Visitors	9,338	11,322	11,612	7,945	7,751	7,643	19,797	20,387	7,280	6,575
Household Hazardous Waste Visitors	N/A	N/A	N/A	655	814 <sup>3</sup>	1,200 <sup>3</sup>	3,288	4,748	4,109	4,601
No. of Customers <sup>5</sup> - Refuse	17,747	18,099	17,632	17,403	17,096	17,456	17,853	16,645	16,485	16,258
No. of Customers <sup>5</sup> - Recycle	5,324	5,004	4,570	4,054	3,713					
<i>STORM WATER</i>										
Catch Basins Cleaned	869	443	539	506	536	827	817	793	538	538
Storm Drains Jet Cleaned (ft)	20,287	7,140	23,210	36,653	54,115	29,940	43,311	54,212	35,710	15,960
Storm Drains Televised (ft)	20,788	16,925	21,547	23,116	25,923	22,913	15,232	21,861	30,639	51,383
No. of Customers <sup>5</sup>	19,613	19,529	18,707	18,207	17,936	17,663	17,410	17,294	17,080	16,748

<sup>1</sup>Patrons cannot be counted in the Temporary Library Facility

<sup>2</sup>Patrons could only be counted after the move back to the City Library Facility which was July 17th, 2009

<sup>3</sup> Hazardous waste is no longer accepted, visits are traced for oil, antifreeze and battery drop off only

<sup>4</sup>A more accurate calculation of park areas was performed in 2011

<sup>5</sup>Customer counts are a snap-shot in time (12/31/16) and taken from the Utility Billing System. (UBT-CUST-001)

<sup>6</sup>Starting in 2012, customer counts are defined as unique accounts, not the number of meters as previously reported.

<sup>7</sup>Electric and Water counts are slightly lower in 2016 due to a change in how customers are defined for reporting purposes

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**Table 19 - Top Ten Customers by Utility Sales for 2016 (Selected Utilities Only)**

<b>ELECTRIC</b>	<b>TOP TEN CUSTOMERS</b>	<b>NATURE OF BUSINESS</b>	<b>CONSUMPTION</b> <b>(kWh)</b>	<b>UTILITY SALES</b>	<b>% OF TOTAL UTILITY SALES</b>
1	Battelle Pacific NW National Laboratories	Research & Development	83,031	\$ 4,319,189	7.26%
2	Conagra Foods/Lamb Weston	Value Added Agriculture Products	103,894	2,744,307	4.61%
3	Areva NP Richland	Nuclear Fuels Production	34,431	1,734,079	2.91%
4	ATI Richland Operations	Manufacturing	29,098	1,542,430	2.59%
5	City of Richland	Municipality	22,518	1,311,819	2.20%
6	Kadlec Hospital/Regional Medical Center	Health Services	22,925	1,190,639	2.00%
7	Richland School District	K-12 Education	15,602	992,699	1.67%
8	Preferred Freezer Services of Richland LLC	Refrigerated Warehousing	18,848	959,182	1.61%
9	Badger Mountain Irrigation District	Special Purpose District	8,994	555,823	0.93%
10	Centurion Properties III	Property Management	9,499	515,806	0.87%
<b>WATER</b>			<b>(100's Cubic Feet)</b>		
1	City of Richland	Municipality	434,165	530,626	3.97%
2	Conagra Foods/Lamb Weston	Value Added Agriculture Products	282,464	295,320	2.21%
3	City of West Richland Intertie	Municipality	468,091	294,897	2.20%
4	Richland School District	K-12 Education	155,712	233,905	1.75%
5	Mission Support Alliance	DOE Contractor	45,760	127,886	0.96%
6	Battelle Pacific NW National Laboratories	Research & Development	59,976	110,763	0.83%
7	Kadlec Hospital/Regional Medical Center	Health Services	68,362	89,710	0.67%
8	Penford Food Ingredients	Food Processing	91,628	73,192	0.55%
9	Richland Mobile Home Park	Property Management	53,992	58,052	0.43%
10	Areva NP Richland	Nuclear Fuels Production	32,169	57,729	0.43%
<b>SEWER</b>					
1	Penford Food Ingredients	Food Processing	N/A	196,837	2.17%
2	City of Richland	Municipality	N/A	103,901	1.14%
3	Kadlec Hospital/Regional Medical Center	Health Services	N/A	97,719	1.08%
4	Mission Support Alliance	DOE Contractor	N/A	75,845	0.84%
5	Areva NP Richland	Nuclear Fuels Production	N/A	70,921	0.78%
6	Battelle Pacific NW National Laboratories	Research & Development	N/A	65,849	0.73%
7	Richland School District	K-12 Education	N/A	65,202	0.72%
8	Riverpointe Apartments LLC	Property Management	N/A	62,665	0.69%
9	Timbers Apartments	Property Management	N/A	60,931	0.67%
10	Villas At Meadow Springs LLC	Property Management	N/A	54,938	0.61%
<b>STORMWATER</b>					
1	Richland School District	K-12 Education	N/A	61,231	3.30%
2	City of Richland	Municipality	N/A	55,629	3.00%
3	Battelle Pacific NW National Laboratories	Research & Development	N/A	53,088	2.86%
4	Port of Benton	Special Purpose District	N/A	29,460	1.59%
5	Areva NP Richland	Nuclear Fuels Production	N/A	22,011	1.19%
6	Ferguson Enterprises Inc.	Distribution Facility	N/A	21,123	1.14%
7	Washington Securities	Property Management	N/A	20,257	1.09%
8	Kadlec Hospital/Regional Medical Center	Health Services	N/A	16,438	0.89%
9	Preferred Freezer Services Of Richland, LLC	Refrigerated Warehousing	N/A	15,897	0.86%
10	Wal-Mart Store	Retail	N/A	15,839	0.85%

CITY OF RICHLAND, WASHINGTON

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Statistical Section - Operating Information

Table 20 - Full Time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

Full-Time Equivalent Employees as of December 31

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>FUNCTION/PROGRAM</b>										
Judicial	2.00	2.00	3.00	3.00	3.00	3.50	3.50	4.00	4.00	4.00
General Government	65.30	65.05	64.60	64.60	64.60	65.45	65.85	65.35	62.85	63.85
Public Safety	142.20	139.90	128.65	129.65	129.45	128.05	127.55	127.55	127.30	124.30
Physical Environment	45.60	46.00	46.00	45.50	46.50	48.00	49.00	24.00	24.00	24.00
Transportation	17.00	18.00	19.00	19.00	19.00	18.00	19.00	19.00	19.00	19.00
Economic Environment	19.05	19.05	21.05	21.00	22.05	22.50	22.50	22.50	22.70	22.70
Culture & Recreation	34.00	34.50	34.10	34.10	34.10	32.85	32.85	56.85	55.85	52.60
Electric & Gas	58.50	56.50	56.50	57.50	57.50	57.50	57.50	57.50	58.00	57.50
Water	23.00	23.00	23.25	23.25	23.25	23.25	23.25	23.75	23.75	23.50
Sewer	22.95	22.95	22.95	22.95	22.95	22.95	22.95	23.45	23.45	24.45
Garbage & Solid Waste	28.10	28.70	28.50	28.50	28.50	27.50	27.50	27.50	25.50	25.00
Stormwater	2.05	2.05	2.05	2.05	2.05	2.05	2.05	2.05	2.05	4.05
<b>TOTAL</b>	<b>459.75</b>	<b>457.70</b>	<b>449.65</b>	<b>451.10</b>	<b>452.95</b>	<b>451.60</b>	<b>453.50</b>	<b>453.50</b>	<b>448.45</b>	<b>444.95</b>
<b>TOTAL POPULATION</b>	53,410	53,080	52,090	51,150	49,890	49,090	48,058	47,410	46,080	45,070
<b>PER CAPITA FTE</b>	116.17	115.97	115.85	113.39	110.14	108.70	105.97	104.54	102.75	99.40

SOURCE: City Budget

\*Does not include employees of Benton County Emergency Services

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 Table 21 - Capital Asset Statistics by Function/Program  
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>FUNCTION/PROGRAM</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	26	26	23	23	23	23	23	22	23	27
<b>Fire</b>										
Stations	4	4	3	3	3	3	3	3	3	3
Emergency Response Vehicles	13	13	13	12	12	12	15	15	15	13
<b>Equipment Maintenance</b>										
City Fleet	477	470	441	459	439	434	432	434	440	429
<b>Electric</b>										
Substations	8	8	8	8	8	8	8	8	8	8
<b>Water</b>										
Treatment Plants	2	2	2	1	1	1	1	1	1	1
Water Mains (Miles)	337	289	331.97	321	321	310	310	310	316	316
Reservoirs	18	18	18	16	16	14	14	14	14	12
Pump Stations	12	11	11 <sup>4</sup>	11 <sup>4</sup>	11 <sup>4</sup>	7 <sup>2</sup>	7 <sup>2</sup>	7 <sup>2</sup>	17	15
<b>Wastewater</b>										
Treatment Plants	1	1	1	1	1	1	1	1	1	1
Lift Stations	14	14	14	14	14	16	16	16	16	16
Sanitary Sewers (Miles)	277.4	278.9	277.8	276.38	265.85	275	275	265	242	242
<b>Solid Waste</b>										
Collection Vehicles	20	20	20	20	20	17	18	17	16	18
<b>Transportation</b>										
Area of City	42.60	42.60	42.52	42.52	42.25	42.16	42.16	39.30	39.40	39.37
Miles of Streets-By Jurisdiction										
City	269.4	267.2	263.6	259.15	259.15	253.98	251.35	250.36	250.32	248.60
State	20.4	20.35	20.35	32.59	32.59	32.59	32.45	32.45	43.30	43.30
Private	41.7	41.46	41.46	57.41	57.41	57.33	57.33	57.33	56.90	56.45
Traffic Signals	54	53	53	53	53	52	51	50	50	50
<b>Parks and Recreation<sup>3</sup></b>										
Community Center	1	1	1	1	1	1	1	1	1	1
Regional Parks - Developed	2	2	2	2	2	2	2	2	2	2
Community Parks- Developed	4	4	4	4	4	3	4	4	4	2
Neighborhood Parks - Developed	25	25	25	25	25	19	19	19	19	19
Special Use Parks - Developed	11	11	11	11	11	8	9	9	9	9
Mini Parks - Developed	-	-	-	-	-	11	10	10	10	9
Lineal Parks - Developed	9	9	9	9	9	9				
Natural Open Spaces	7	7	7	7	7	7				

(previously categorized as undeveloped and preserves - restated)

\*Table developed to meet GASB 34 Statistical requirements. Prior years data not available.

<sup>1</sup>Five new Solid Waste Collection trucks were purchased in 2007. The older vehicles will be used as back ups until retired.

<sup>2</sup> Pump stations only. Previously counted irrigation systems

<sup>3</sup> Parks redefined and calculated more accurately in 2012

<sup>4</sup> Beginning in 2012, Stormwater pump stations are included in this statistic

## ACKNOWLEDGEMENT

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*Cathleen Koch, Administrative Services Director*

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*Jeff Kison, Accountant*

*Meg Coleman, Accountant*

*Ryan Brimacombe, Accountant*

*Jenny Willis, Accountant*

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*Debbie Lord, Printer*

