

*City of Kelso, Washington
Comprehensive Annual
Financial Report*



View from West Kelso, 2016

*FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015*

City of Kelso, Washington

Comprehensive Annual Financial Report

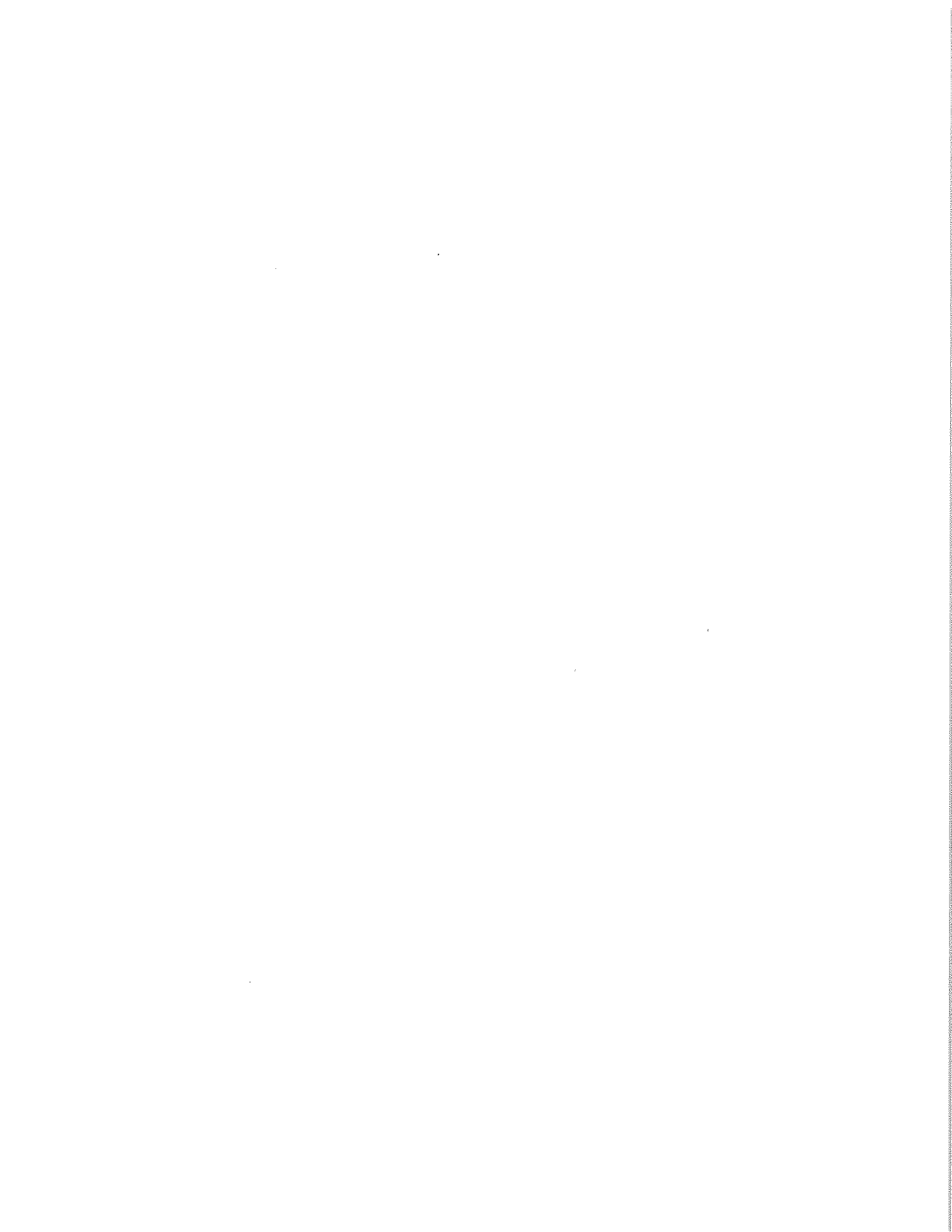


For the fiscal year ended December 31, 2015

Prepared by the Finance Department

**Brian Butterfield
Finance Director**

**Accounting Staff
Patty Murray
Lisa Wetle**



City of Kelso
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended December 31, 2015

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INTRODUCTORY SECTION

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Finance / Utility Department

203 S. Pacific Avenue, PO Box 819 Kelso, WA 98626



June 21, 2016

To the Honorable David Futcher, Mayor
Members of the City Council
Stephen Taylor, City Manager
Citizens of the City of Kelso

State law requires that all local governments publish within 150 days of the close of each fiscal year financial statements covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the Washington State Auditor's Office. In addition to the State reporting requirements, the City has chosen to issue our financial report in conformity with generally accepted accounting practices (GAAP) and hereby submit this comprehensive annual financial report (CAFR) of the City of Kelso for the fiscal year ended December 31, 2015.

This report consists of management's representations concerning the finances of the City of Kelso (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Kelso's financial statements have been audited by the Washington State Auditor's Office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an

unmodified opinion that the City of Kelso's financial statements for the fiscal year ended December 31, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Kelso, incorporated in 1889, is located in southwestern Washington on the Cowlitz River, approximately 127 miles south of the City of Seattle, Washington and 50 miles north of the City of Portland, Oregon. The City, which serves as the Cowlitz County seat, lies adjacent to the City of Longview. Together, these two cities comprise of the Kelso/Longview metropolitan area, the major population center of Cowlitz County. The City of Kelso currently occupies a land area of 8 square miles and serves a population of 11,950.

The City of Kelso operates under the Council-Manager form of government. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The Council is elected via City-wide vote. Council members serve four-year staggered terms, with three/four Council members elected every two years. The City Council elects a Mayor from the Council membership for a two-year term.

The City of Kelso provides a full range of services, including police, fire protection (City contracts with Cowlitz County Fire District No. 2), refuse removal (City contracts with Waste Control Equipment Inc.), street maintenance, transit system (City contracts with River Cities Transit), water and sewer utilities, library services, and parks and recreation facilities.

Cities and counties of the State of Washington must comply with the Budgeting, Accounting, and Reporting System (BARS) prescribed by the Office of the State Auditor as authorized under RCW 43.09.200 and RCW 43.09.230. State law also provides for annual independent audits by the Washington State Auditor's Office and requires timely submission of annual financial reports to the State for review. The financial system of the City of Kelso incorporates a system of financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. Consequently they are designed to provide reasonable assurance that transactions are executed in accordance with management authorization, recorded in conformity with GAAP, that accountability of control over assets and obligations exists, and that sufficient reporting and review exists to provide adequate information for analysis and comparability of data.

Internal control is an area of audit by the State Auditor as well and City management takes action upon recommendations made by the State.

The City of Kelso prepares a biennial budget in accordance with RCW 35.A.34. The biennial budget serves as the foundation for the City's financial planning and control. The budget process begins in mid summer of even-numbered years. All departments of the City are required to submit requests for appropriation to the City Clerk on or before the fourth Monday in September. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then submits the proposed budget to the City Council for review prior to November 1. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund. The City Manager is authorized to transfer budgeted amounts between departments within any fund and object classes within departments; however, any revisions that alter the total expenditures of a fund must be approved by the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general and arterial street funds this comparison is presented on pages 35-36 as part of the basic financial statements for the governmental funds. For governmental funds, other than those previously mentioned, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 102.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Kelso operates.

Local economy. Kelso's economy is predominately retail, commercial and service oriented. The largest employers in the City include Foster Farms Poultry Processing Plant, Cowlitz County, and Kelso School District. The City also has a mall that encompasses over 420,000 square feet and includes three anchor stores; Macy's, Sportsman's Warehouse, and J.C. Penney. Additional employment is provided by regional employers such as KapStone Paper and Packaging Corp. (formerly Longview Fibre Company), PeaceHealth/St. John Hospital, and Weyerhaeuser Company which are located in neighboring Longview, Washington and in Cowlitz County, Washington.

The economy of the region is based on a mixture of industrial, commercial and service activity. Wood and paper products processing, steel processing, trade and port activity, as well as healthcare, make up the economic foundation of the area. The economy as a whole has become more diversified in recent years, but remains materially dependent on the forest products industry and, as a result, is relatively vulnerable to the cyclical downturns of that industry. The average unemployment rate for the Kelso/Longview metropolitan area in 2015 was 7.6 percent compared with state and national rates of 5.7 percent and 5.3 percent, respectively.

Long-term financial planning. As always the City of Kelso will strive to continue providing basic services at current levels. Funding priorities for long-term operating and capital needs are reviewed and updated annually during the budget process and again at the council retreat. Over the past decade the City has been particularly successful in obtaining grants and low interest loans for the upgrade of roadway and utility infrastructure. One of the primary goals of the City is to upgrade its infrastructure to help attract new business to the region which, in turn, will increase our tax base.

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kelso for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2014. This was the eleventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this Comprehensive Annual Financial Report represents the culmination of months of concerted teamwork and could not have been accomplished without the professional, efficient and dedicated staff of the Finance Department. To each, I share my sincerest appreciation.

Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Kelso's finances.

Respectfully submitted,


Brian Butterfield
Finance Director

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Government Finance Officers Association

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

Presented to

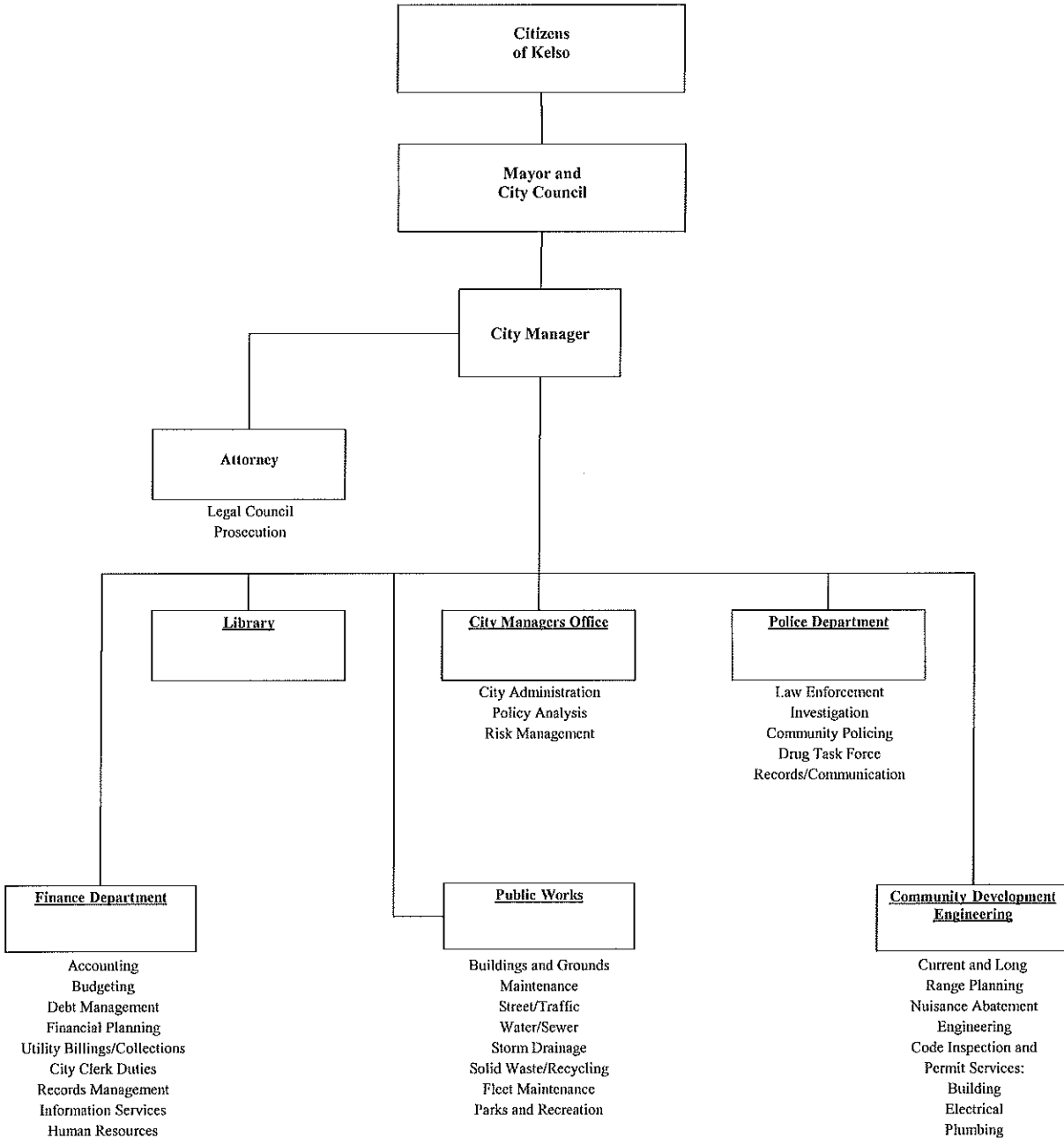
**City of Kelso
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

City Of Kelso Organizational Chart



City of Kelso

Directory of Officials

December 31, 2015

Elected Officials

Mayor

David Futcher

Council Members

Todd McDaniel
Dan Myers
Rick Roberson
Gary Schimmel
Gary Archer
Jared Franklin*

Appointed Officials

City Manager

Stephen Taylor

City Attorney

Janean Parker

Clerk / Finance Director

Brian Butterfield

Public Works Superintendant

Randy Johnson

Police Chief

Andy Hamilton

Community Development Director/
City Engineer

Michael Kardas

*Position was vacated on 12/8/2015 and filled by Kim Lefebvre 1/5/2016

FINANCIAL SECTION

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Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 21, 2016

Mayor and City Council
City of Kelso
Kelso, 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 remaining fund information of the City of Kelso, Cowlitz County, Washington, as of and for the year ended December 31, 2015, 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 remaining fund information of the City of Kelso, Cowlitz County, Washington, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note V, during the year ended December 31, 2015, the City has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 27, information on postemployment benefits other than pensions on page 87 and pension plan information on pages 88 through 95 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 financial statements and supplementary information on pages 98 through 117 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

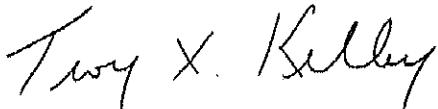
records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation 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 June 21, 2016, 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,



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

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Management's Discussion and Analysis

As management of the City of Kelso, we offer readers of the City of Kelso's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal. All amounts reported in the MD&A, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The City restated its net position as of December 31, 2014 from \$92,161 to \$90,392 to be in compliance with GASB Statement No. 68. (See note V.J.)
- The assets and deferred outflows of resources of the City of Kelso exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$91,713 (net position). Capital assets, net of depreciation and related debt, account for \$77,542 or 84.5% of total net position. \$11,904 or 13% of total net position (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,321 during 2015.
- As of the close of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$8,147, an increase of \$763 in comparison with the prior year. Approximately 80% of this amount, \$6,483, is available for spending at the government's discretion (unrestricted fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$4,806, or 57% of total general fund expenditures.
- The City of Kelso's total debt (exclusive of compensated absences, bond discounts, and pension obligations) decreased by \$523 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Kelso's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, physical environment, transportation, economic environment, and culture and recreation. The business-type activities of the City include a water/sewer enterprise, a solid waste enterprise, and a storm water drainage enterprise.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kelso, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kelso maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general

fund and the arterial street fund, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Kelso adopts a biennial appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

Proprietary funds. The City of Kelso maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/sewer, solid waste, and its storm water drainage departments. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the acquisition of its vehicle fleet. A portion of the acquisition fund has been included within the business-type functions. The remainder of these services predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/sewer, solid waste, and storm water drainage departments. However, only the water/sewer and solid waste funds are considered to be major funds of the City. The internal service fund is also presented separately in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents the combining statements, referred to earlier in connection with nonmajor governmental funds, which are presented immediately following the notes and required supplemental information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Kelso, assets and deferred outflows of

resources exceeded liabilities and deferred inflows of resources by \$91,713 at the close of the most recent fiscal year. The following is a condensed version of the Government-Wide Statement of Net Position as of December 31, 2015 with comparable data provided for the previous year.

City of Kelso's Net Position						
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$11,107	\$8,594	\$ 9,906	\$ 9,648	\$ 21,013	\$ 18,242
Capital assets (net)	<u>58,586</u>	<u>59,451</u>	<u>26,469</u>	<u>26,033</u>	<u>85,055</u>	<u>85,484</u>
Total assets	<u>69,693</u>	<u>68,045</u>	<u>36,375</u>	<u>35,681</u>	<u>106,068</u>	<u>103,726</u>
Total deferred outflows of resources	<u>318</u>	<u>46</u>	<u>106</u>	<u>-</u>	<u>424</u>	<u>46</u>
Long-term liabilities outstanding	5,727	4,203	6,383	5,820	12,110	10,023
Other liabilities	<u>952</u>	<u>588</u>	<u>1,029</u>	<u>1,000</u>	<u>1,981</u>	<u>1,588</u>
Total liabilities	<u>6,679</u>	<u>4,791</u>	<u>7,412</u>	<u>6,820</u>	<u>14,091</u>	<u>11,611</u>
Total deferred inflows of resources	<u>533</u>	<u>46</u>	<u>155</u>	<u>-</u>	<u>688</u>	<u>46</u>
Net position:						
Net investment in capital assets	56,455	57,203	21,087	20,307	77,542	77,510
Restricted	1,664	1,616	603	597	2,267	2,213
Unrestricted	<u>4,680</u>	<u>4,481</u>	<u>7,224</u>	<u>7,957</u>	<u>11,904</u>	<u>12,438</u>
Total net position	<u>\$62,799</u>	<u>\$63,300</u>	<u>\$28,914</u>	<u>\$28,861</u>	<u>\$91,713</u>	<u>\$92,161</u>

By far the largest portion of the City's net position (84.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Kelso's net position (2.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$11,904 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Kelso is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City of Kelso's net position by \$124 in 2015. Revenues decreased by \$2,174 and expenditures increased by \$415 in 2015. Key elements for these changes are as follows:

- Actual sales tax collections were \$319 over budgeted amounts.

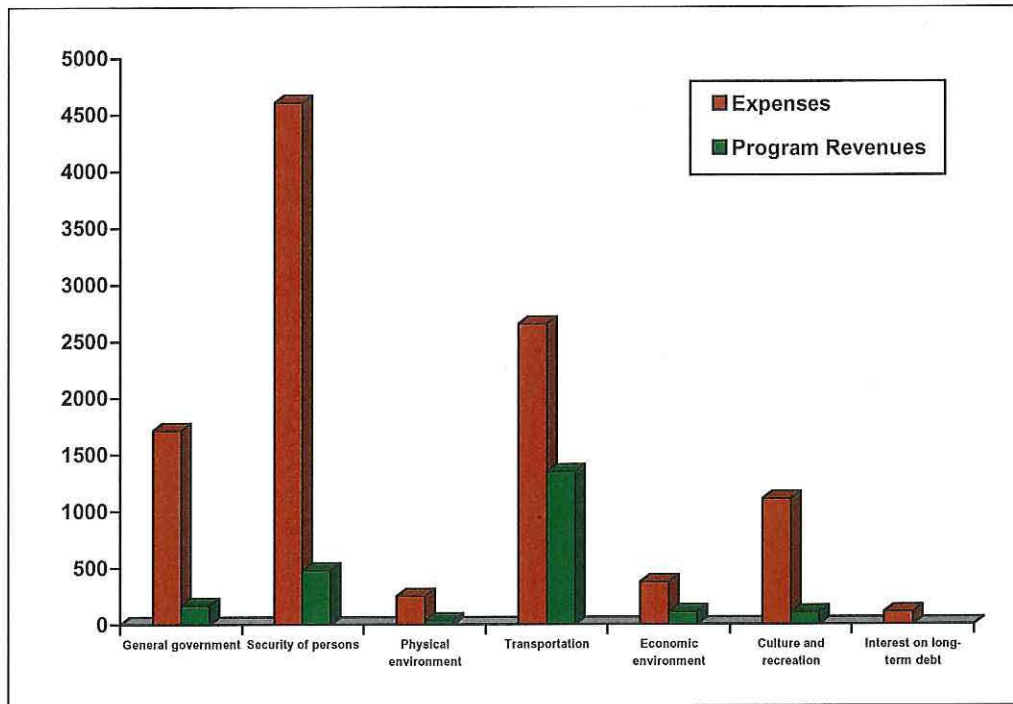
- Increased admissions tax from new cinema complex of \$79.
- Utility taxes increased by \$290 due to 2% tax increase on water, sewer & garbage utility revenue and increased water consumption
- Grant revenues related to capital expenditures decreased by \$2,862.

City of Kelso's Changes in Net Position

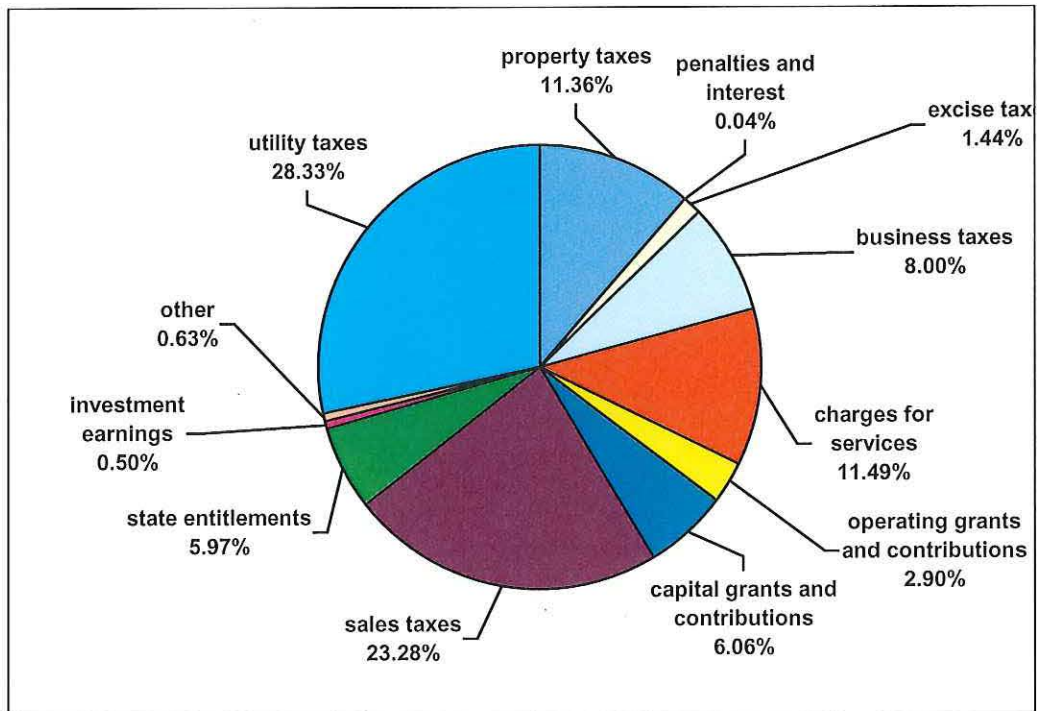
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$1,257	\$1,303	\$11,009	\$10,363	\$12,266	\$11,666
Operating grants and contributions	317	172	7	75	324	247
Capital grants and contributions	663	3,525	-	112	663	3,637
General revenues:						
Property taxes	1,243	1,206	-	-	1,243	1,206
Sales and use taxes	2,546	2,410	-	-	2,546	2,410
Utility taxes	3,099	2,809	-	-	3,099	2,809
Business taxes	875	821	-	-	875	821
Excise taxes	157	107	-	-	157	107
Penalties and interest	4	5	-	-	4	5
State entitlements	653	624	-	-	653	624
Investment earnings	55	37	18	13	73	50
Other	69	93	4	-	73	93
Total revenues	<u>10,938</u>	<u>13,112</u>	<u>11,038</u>	<u>10,563</u>	<u>21,976</u>	<u>23,675</u>
Expenses:						
General government	1,713	1,525	-	-	1,713	1,525
Security of persons and property	4,608	4,609	-	-	4,608	4,609
Physical environment	249	391	-	-	249	391
Transportation	2,654	2,323	-	-	2,654	2,323
Economic environment	374	308	-	-	374	308
Culture and recreation	1,107	1,121	-	-	1,107	1,121
Interest on long-term debt	109	122	-	-	109	122
Water/Sewer	-	-	7,645	7,186	7,645	7,186
Storm water	-	-	715	556	715	556
Solid waste	-	-	1,481	1,457	1,481	1,457
Total expenses	<u>10,814</u>	<u>10,399</u>	<u>9,841</u>	<u>9,199</u>	<u>20,655</u>	<u>19,598</u>
Change in net position	124	2,713	1,197	1,364	1,321	4,077
Net position – beginning, restated*	<u>62,675</u>	<u>60,587</u>	<u>27,717</u>	<u>27,497</u>	<u>90,392</u>	<u>88,084</u>
Net position – ending	<u>\$62,799</u>	<u>\$63,300</u>	<u>\$28,914</u>	<u>\$28,861</u>	<u>\$91,713</u>	<u>\$92,161</u>

*Restated for 2014, see note V.J.

Expenses and Program Revenues – Governmental Activities

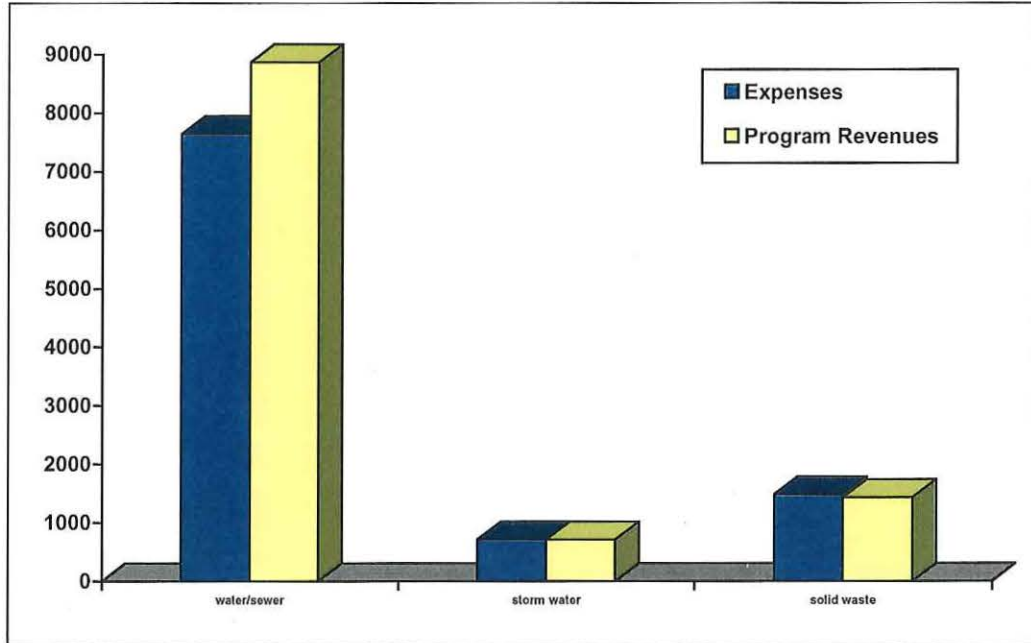


Revenues by Source - Governmental Activities

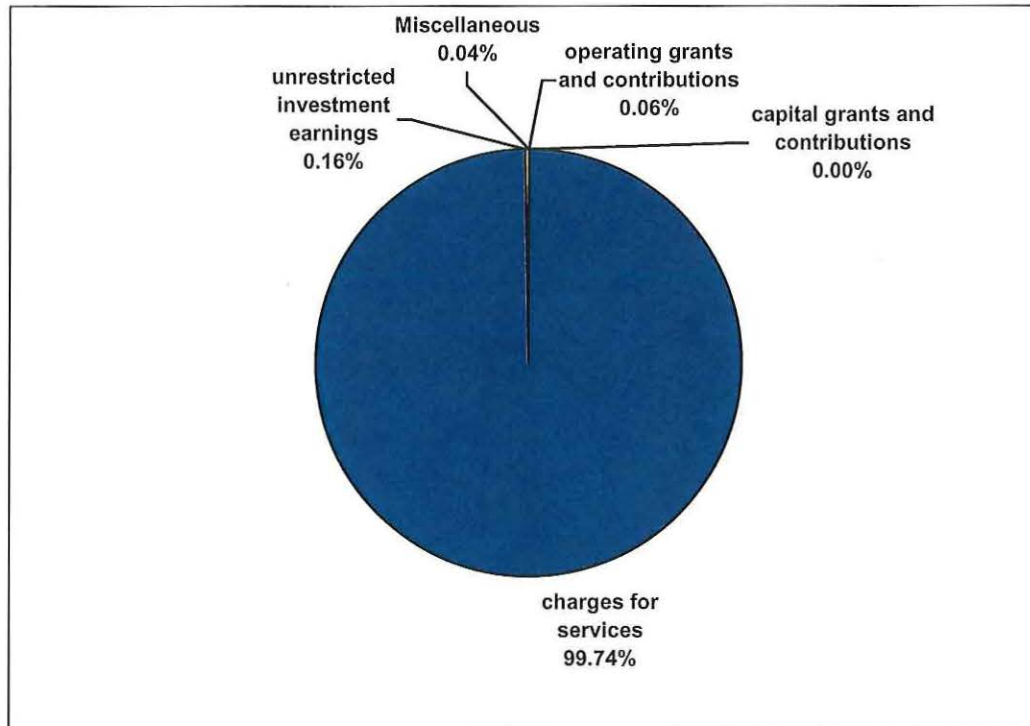


Business-type activities. Business-type activities increased the City of Kelso's net position by \$1,197. Business-type activity revenues and expenses increased in 2015 by \$475 and \$642, respectively. Operating revenues exceeded operating expenses in 2015 by \$1,389 in the water/sewer fund.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Key elements for the change in net position are as follows:

- The City increased the water and sewer rates by 2% in 2015.
- The City increased the garbage collection rates by 5% in 2015.
- Payments made to the regional sewage treatment plant increased by \$104 in 2015. (See Note V.E.).

Financial Analysis of the Government's Funds

As noted earlier, the City of Kelso uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Kelso's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Kelso's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Kelso, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$8,147 an increase of \$763 in comparison with the prior year. Approximately 79% of ending fund balance (\$6,482) constitutes unrestricted fund balance (unassigned, assigned, and committed), which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it is restricted 1) to pay for housing rehabilitation (\$1,055), 2) to pay for low income housing (\$52), 3) for a variety of other restricted purposes (\$557)

As mentioned earlier, the City of Kelso maintains eleven individual governmental funds. Two of these funds are classified as major funds for the purposes of this report, based on criteria set forth by the GASB. Those funds are the General Fund and the Arterial Street Fund.

The general fund is the chief operating fund of the City of Kelso. At the end of the current fiscal year, total fund balance of the general fund was \$4,898. All but \$334 of this fund balance is unassigned. \$52 is restricted for low income housing, \$40 is restricted for the maintenance of City streets, and \$242 has been assigned by the City for maintenance of City owned bridges. Unassigned fund balance represents 54.6 percent of total general fund operating expenditures (excludes capital expenditures and transfers).

The fund balance of the City of Kelso's general fund increased by \$758 during the current fiscal year.

The arterial street fund accounts for the receipt and expenditure of various grants, road maintenance fees, as well as transfers from the other funds. Revenues are designated for construction, improvement, chip sealing, seal coating, and repair of streets or for payment of related municipal indebtedness. In 2015, the arterial street fund expended in excess of \$1 million on roadway improvements.

Proprietary funds. The City of Kelso's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water/sewer fund at the end of the year amounted to \$5,855, and for the solid waste fund amounted to \$311. The total net position for the water/sewer fund increased by \$1,175 and the total net position for the solid waste fund decreased by \$47. Residential and commercial water and sewer rates were increased by 2% in 2015. Garbage rates were increased by 5% in 2015. Factors concerning the finances of these two funds have already been addressed in the discussion of the City of Kelso's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to a \$363 increase in appropriations.

At the end of the year, operating revenues exceeded budgetary estimates by \$518. Operating expenditures and transfers were \$490 less than budgetary estimates.

Some of the factors that contributed to the revenue surplus are as follows:

- Sales tax came in \$319 above budgeted amount due to increased economic activity
- Utility taxes on certain City utilities came in \$104 above budgeted amount due to higher than anticipated water consumption
- Increased admissions tax from new cinema complex

Some of the factors that contributed to the variance in budgeted vs. actual expenditures can be attributed to the following:

- Lower fuel costs than anticipated
- Decrease in the cost of healthcare benefits for certain retirees because of change in health insurance plan
- Two budgeted full-time positions in the police department went unfilled until late in the year
- One full-time position in the engineering department went unfilled until 2016

Capital Asset and Debt Administration

Capital Assets. The City of Kelso's investment in capital assets for its governmental and business type activities as of December 31, 2015 amounts to \$77,542 (net of related debt and accumulated depreciation). This investment in capital assets includes land, buildings

and structures, improvements, machinery and equipment, park facilities, and infrastructure (roads, highways, and bridges constructed after December 31, 1979).

Major capital asset events during the current fiscal year included the following:

- In 2015, the City of Kelso completed the right-of-way acquisition and construction phases of the West Main Street Realignment project in West Kelso. The West Main Street Realignment project runs from the Allen Street Bridge on the west end of Allen Street, to the west City limits of Kelso at West Cowlitz Way. The Realignment Project stems from growing traffic, congestion and accidents along the corridor. The project redeveloped the streets in the area to deal with those issues, and at the same time provide a desirable business friendly environment. The project was funded primarily through federal and state grants with a small percentage being funded by the City. The total cost of this project through December 31, 2015 was \$10,253.

City of Kelso's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$22,931	\$18,589	\$ 29	\$ 29	\$22,960	\$18,618
Buildings and structures	7,263	7,586	8,247	8,466	15,510	16,052
Improvements other than buildings	2,748	3,045	15,714	15,605	18,462	18,650
Machinery and equipment	640	537	819	853	1,459	1,390
Infrastructure	23,824	18,558	-	-	23,824	18,558
Construction in progress	<u>1,180</u>	<u>11,136</u>	<u>1,660</u>	<u>1,080</u>	<u>2,840</u>	<u>12,216</u>
Total	<u>\$58,586</u>	<u>\$59,451</u>	<u>\$26,469</u>	<u>\$26,033</u>	<u>\$85,055</u>	<u>\$85,484</u>

Additional information on the City of Kelso's capital assets can be found in note IV.C.

Long-term debt. At the end of the current fiscal year, the City of Kelso had total bonded G.O. debt outstanding of \$2,175. 100% of this amount is backed by the full faith and credit of the City. The remainder of the City of Kelso's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Kelso's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$2,175	\$2,315	\$-	\$-	\$2,175	\$2,315
Revenue bonds	-	-	<u>4,285</u>	<u>4,480</u>	<u>4,285</u>	<u>4,480</u>
Total	<u>\$2,175</u>	<u>\$2,315</u>	<u>\$4,285</u>	<u>\$4,480</u>	<u>\$6,460</u>	<u>\$6,795</u>

The City of Kelso's total bonded debt decreased by \$335 during the current fiscal year.

In addition to the bonded debt mentioned above, the City has two Drinking Water State Revolving Fund loans outstanding at year end. The total amount outstanding at year end for these loans is \$1,097.

Additional information on the City of Kelso's long-term debt can be found in note IV.E. The City of Kelso is authorized to issue debt pursuant to the Acts of the State of Washington. With voter approval the City can issue debt up to 2.5 percent of the assessed valuation of taxable property within the City. Without a vote, the City can incur debt up to an amount equal to 1.5 percent of the assessed valuation. Further, voted indebtedness is permitted for water, artificial lights, and sewerage up to 2.5 percent of assessed valuation, with an additional 2.5 percent available for acquiring open space for park facilities. The combination of unlimited tax (voted) and limited tax (non-voted) general obligation debt for all purposes cannot exceed 7.5 percent of assessed valuation.

Economic Factors and Next Year's Budgets and Rates

- The annual average unemployment rate for the Kelso/Longview metropolitan area in 2015 was 7.6 percent, which is a decrease from a rate of 8.4 percent in 2014. This compares unfavorably to the State's average unemployment rate of 5.7 percent and the national average rate of 5.3 percent.
- In 2015, the City experienced an upturn in economic activity which has manifested itself with increased sales taxes. In addition, for the 2015/2016 biennium, the City increased utility taxes on water, sewer, and garbage by 2%.
- The City's ability to raise property taxes has been limited by Initiative 747. I-747 is a voter approved initiative that reduces the allowable property tax growth limit to lower of 1 percent or the Implicit Price Deflator.

All of these factors were considered in preparing the City of Kelso's budget for the 2016 fiscal year.

At the end of the current fiscal year the unassigned fund balance in the general fund is \$4,564. In 2016, the City anticipates spending down \$402 of this unassigned fund balance. Most of the anticipated deficit stems from conservative revenue projections.

In 2016, water and sewer non-industrial rates will be increased by 2 and 3%, respectively. Garbage will increase by 5% and drainage rates by 3%. These rate increases are necessary to keep pace with inflation and for future capital upgrades.

Requests for Information

This financial report is designed to provide a general overview of the City of Kelso's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 819, Kelso, Washington 98626.

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BASIC FINANCIAL STATEMENTS

City of Kelso
Statement of Net Position
December 31, 2015

	PRIMARY GOVERNMENT		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash & cash equivalents	\$ 5,245,712	\$ 6,412,396	\$ 11,658,108
Investments	1,804,168	796,401	2,600,569
Receivables (net of allowance for uncollectible):	2,194,341	1,754,934	3,949,275
Net pension asset	1,250,710	-	1,250,710
Long-term notes receivable	612,014	-	612,014
Restricted assets	-	942,522	942,522
Capital assets net of accumulated depreciation:			
Land	22,931,670	28,712	22,960,382
Buildings	7,262,793	8,246,857	15,509,650
Improvements other than buildings	2,748,544	15,713,927	18,462,471
Machinery and equipment	639,861	819,535	1,459,396
Infrastructure	23,823,922	-	23,823,922
Construction in progress	1,179,583	1,660,056	2,839,639
Total assets	<u>69,693,318</u>	<u>36,375,340</u>	<u>106,068,658</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	43,175	-	43,175
Deferred outflows related to pensions	274,359	105,981	380,340
Total deferred outflows of assets	<u>317,534</u>	<u>105,981</u>	<u>423,515</u>
LIABILITIES			
Accounts payable and other current liabilities	713,020	670,100	1,383,120
Interest payable	5,702	18,809	24,511
Unearned revenue	233,280	-	233,280
Liabilities payable from restricted assets	-	339,877	339,877
Long-term liabilities:			
Due within one year	226,720	409,265	635,985
Due in more than one year	5,500,638	5,974,263	11,474,901
Total liabilities	<u>6,679,360</u>	<u>7,412,314</u>	<u>14,091,674</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	533,056	154,517	687,573
Total deferred inflows of assets	<u>533,056</u>	<u>154,517</u>	<u>687,573</u>
NET POSITION			
Net investment in capital assets	56,454,548	21,087,371	77,541,919
Restricted for:			
Debt service	-	602,645	602,645
Capital projects	127,972	-	127,972
Promotion of tourism	90,568	-	90,568
Paths and trails	41,079	-	41,079
Street maintenance	282,451	-	282,451
Parks	14,864	-	14,864
Criminal Justice	714	-	714
Affordable housing	51,566	-	51,566
Housing rehabilitation	1,054,703	-	1,054,703
Unrestricted	4,679,971	7,224,474	11,904,445
Total net position	<u>\$ 62,798,436</u>	<u>\$ 28,914,490</u>	<u>\$ 91,712,926</u>

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

CITY OF KELSO
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,713,304	\$ 119,035	\$ 48,050	\$ -	\$ (1,546,219)	\$ -	\$ (1,546,219)
Security of persons and property	4,607,880	278,849	198,853	-	(4,130,178)	-	(4,130,178)
Physical environment	248,514	34,242	-	-	(214,272)	-	(214,272)
Transportation	2,653,753	654,760	29,345	663,064	(1,306,584)	-	(1,306,584)
Economic environment	374,412	75,975	32,803	-	(265,634)	-	(265,634)
Culture and recreation	1,106,766	93,804	7,800	-	(1,005,162)	-	(1,005,162)
Interest on long-term debt	109,415	-	-	-	(109,415)	-	(109,415)
Total governmental activities	<u>10,814,044</u>	<u>1,256,665</u>	<u>316,851</u>	<u>663,064</u>	<u>(8,577,464)</u>	<u>-</u>	<u>(8,577,464)</u>
Business-type activities:							
Water/Sewer	7,644,440	8,868,034	-	-	-	1,223,594	1,223,594
Solid waste	1,481,206	1,426,852	7,259	-	-	(47,295)	(47,295)
Storm water	714,925	713,679	-	-	-	(1,246)	(1,246)
Total business-type activities	<u>9,840,571</u>	<u>11,008,365</u>	<u>7,259</u>	<u>-</u>	<u>-</u>	<u>1,175,053</u>	<u>1,175,053</u>
Total primary government	<u>\$ 20,654,615</u>	<u>\$ 12,265,030</u>	<u>\$ 324,110</u>	<u>\$ 663,064</u>	<u>\$ (8,577,464)</u>	<u>\$ 1,175,053</u>	<u>\$ (7,402,411)</u>
General Revenues:							
Property taxes					1,243,455	-	1,243,455
Sales taxes					2,546,074	-	2,546,074
Utility taxes					3,098,586	-	3,098,586
Business taxes					874,760	-	874,760
Excise taxes					157,276	-	157,276
Penalties & interest					4,314	-	4,314
State entitlements (unrestricted)					652,554	-	652,554
Investment earnings					55,141	18,097	73,238
Miscellaneous					67,682	-	67,682
Gain/(loss) on sale of capital assets					1,325	4,270	5,595
Total general revenues					<u>8,701,167</u>	<u>22,367</u>	<u>8,723,534</u>
Change in net position					123,703	1,197,420	1,321,123
Net position - beginning, restated (see note V.J.)					62,674,733	27,717,070	90,391,803
Net position - ending					<u>\$ 62,798,436</u>	<u>\$ 28,914,490</u>	<u>\$ 91,712,926</u>

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

City of Kelso
Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	Arterial Street Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 2,650,481	\$ 220,526	\$ 2,105,078	\$ 4,976,085
Investments	1,006,352	-	797,816	1,804,168
Receivables (net):				
Taxes	1,496,264	-	-	1,496,264
Accounts	194,108	13,227	5,758	213,093
Assessments	-	16,787	-	16,787
Due from other funds	-	-	141,672	141,672
Due from other governments	104,174	355,600	8,423	468,197
Advances to other funds	-	-	110,509	110,509
Long-term notes receivable	-	-	612,014	612,014
Total assets	<u>\$ 5,451,379</u>	<u>\$ 606,140</u>	<u>\$ 3,781,270</u>	<u>\$ 9,838,789</u>
LIABILITIES				
Accounts payable	285,179	390,960	29,520	705,659
Due to other funds	-	141,672	-	141,672
Due to other governments	7,361	-	-	7,361
Advances from other funds	-	110,509	-	110,509
Unearned revenue	-	158,598	74,682	233,280
Total liabilities	<u>292,540</u>	<u>801,739</u>	<u>104,202</u>	<u>1,198,481</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property tax	107,810	-	-	107,810
Unavailable revenue-municipal court	106,027	-	-	106,027
Unavailable revenue-grants	47,044	232,600	-	279,644
Total deferred inflows of resources	<u>260,881</u>	<u>232,600</u>	<u>-</u>	<u>493,481</u>
FUND BALANCES (DEFICITS)				
Restricted for:				
Paths and trails	-	-	41,079	41,079
Promotion of tourism	-	-	90,568	90,568
Housing/neighborhood rehabilitation	-	-	1,054,703	1,054,703
Low income housing	51,566	-	-	51,566
Criminal justice	-	-	714	714
Parks	-	-	14,864	14,864
Street maintenance/construction	40,437	-	242,014	282,451
Capital projects	-	-	127,972	127,972
Assigned to:				
Debt service	-	-	1,604,643	1,604,643
Other purposes	242,297	-	500,511	742,808
Unassigned	4,563,658	(428,199)	-	4,135,459
Total fund balances	<u>4,897,958</u>	<u>(428,199)</u>	<u>3,677,068</u>	<u>8,146,827</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 5,451,379</u>	<u>\$ 606,140</u>	<u>\$ 3,781,270</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	58,139,455
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	493,481
Net Pension and Net OPEB Assets or Obligations are not considered to represent a financial resource or liability and, therefore, are not reported in the funds.	(2,213,466)
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	716,545
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund	(2,484,406)
Net position of governmental activities	<u>\$ 62,798,436</u>

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

City of Kelso
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General Fund	Arterial Street Fund	Other Governmental Funds	Total
Revenues				
Taxes	\$ 7,630,294	\$ -	\$ 297,747	\$ 7,928,041
Licenses and permits	131,298	-	-	131,298
Intergovernmental	796,874	383,420	181,028	1,361,322
Charges for services	793,495	298,724	176,009	1,268,228
Fines	106,077	-	-	106,077
Investment earnings	42,053	9	12,596	54,658
Contributions	47,017	-	7,800	54,817
Rental/lease income	94,269	-	10,920	105,189
Miscellaneous	50,595	1,722	31,349	83,666
Total revenues	<u>9,691,972</u>	<u>683,875</u>	<u>717,449</u>	<u>11,093,296</u>
Expenditures				
Current:				
General government	1,953,042	-	-	1,953,042
Security of persons and property	4,152,553	-	234,954	4,387,507
Physical environment	436,700	-	-	436,700
Transportation	786,779	-	140,938	927,717
Economic environment	319,979	-	60,986	380,965
Culture and recreation	705,965	-	121,055	827,020
Debt service:				
Principal	-	-	140,000	140,000
Interest and bond issuance costs	-	14,672	70,953	85,625
Capital outlay:				
Security of persons and property	47,584	-	-	47,584
Transportation	44,205	1,060,999	-	1,105,204
Culture and recreation	39,299	-	-	39,299
Total expenditures	<u>8,486,106</u>	<u>1,075,671</u>	<u>768,886</u>	<u>10,330,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,205,866</u>	<u>(391,796)</u>	<u>(51,437)</u>	<u>762,633</u>
Other financing sources (uses)				
Transfers in	-	268,000	275,155	543,155
Transfers out	(448,155)	-	(95,000)	(543,155)
Total other financing sources (uses)	<u>(448,155)</u>	<u>268,000</u>	<u>180,155</u>	<u>-</u>
Net change in fund balances	757,711	(123,796)	128,718	762,633
Fund balances - beginning	4,140,247	(304,403)	3,548,350	7,384,194
Fund balances - ending	<u>\$ 4,897,958</u>	<u>\$ (428,199)</u>	<u>\$ 3,677,068</u>	<u>\$ 8,146,827</u>

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

City of Kelso
Reconciliation of the Statement of Revenues,
Expenditures, and Changes In Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 33)	\$ 762,633
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(955,984)
The net effect of funding the City's annual required contribution to the State Pension Fund.	300,876
The net effect of underfunding the City's annual required contribution for post-retirement health care benefits for LEOFF 1 (Law Enforcement Officers and Fire Fighters) employees.	(323,218)
Some revenues reported in the governmental funds have already been reported in the statement of activities in prior years.	(16,888)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	279,644
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	140,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(27,312)
Some expenses reported in the governmental funds have already been reported in the statement of activities in prior years.	177
Internal service funds are used by management to charge the costs of fleet acquisition to individual funds.	
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(36,225)</u>
Change in net position of governmental activities (page 31)	<u>\$ 123,703</u>

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

City of Kelso
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,994,442	\$ 6,106,442	\$ 6,584,466	\$ 478,024
Licenses and permits	195,200	195,200	131,298	(63,902)
Intergovernmental	543,700	543,700	544,695	995
Charges for services	665,593	665,593	779,713	114,120
Fines	135,500	135,500	101,795	(33,705)
Investment earnings	8,300	8,300	41,059	32,759
Contributions	-	50,000	27,000	(23,000)
Other miscellaneous	14,600	14,600	27,268	12,668
Total revenues	<u>7,557,335</u>	<u>7,719,335</u>	<u>8,237,294</u>	<u>517,959</u>
Expenditures				
General government:				
Council	82,964	86,964	84,293	2,671
Municipal court	247,300	239,300	215,611	23,689
Manager	222,868	226,868	230,699	(3,831)
Finance	574,600	574,600	570,388	4,212
Attorney	127,364	127,364	119,388	7,976
Other - unclassified	693,335	812,335	732,663	79,672
Total general government	<u>1,948,431</u>	<u>2,067,431</u>	<u>1,953,042</u>	<u>114,389</u>
Security of persons and property:				
Police	3,739,975	3,809,975	3,647,040	162,935
Jail	302,500	302,500	250,806	51,694
Fire	172,000	172,000	170,952	1,048
Other	88,600	88,600	83,755	4,845
Total security of persons and property	<u>4,303,075</u>	<u>4,373,075</u>	<u>4,152,553</u>	<u>220,522</u>
Physical environment	561,825	561,825	436,700	125,125
Transportation	152,950	152,950	161,129	(8,179)
Economic environment	230,335	355,335	319,979	35,356
Capital outlay	1,000	50,000	47,584	2,416
Total expenditures	<u>7,197,616</u>	<u>7,560,616</u>	<u>7,070,987</u>	<u>489,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>359,719</u>	<u>158,719</u>	<u>1,166,307</u>	<u>1,007,588</u>
Other financing sources (uses)				
Transfers out	(466,285)	(466,285)	(466,135)	150
Total other financing sources (uses)	<u>(466,285)</u>	<u>(466,285)</u>	<u>(466,135)</u>	<u>150</u>
Net change in fund balances budgetary basis	<u>(106,566)</u>	<u>(307,566)</u>	<u>700,172</u>	<u>1,007,738</u>
Reconciliation of budgetary/GAAP basis:				
Basis difference (See note III.B.)			57,539	
Net change in fund balance GAAP basis			<u>757,711</u>	
Fund balance - beginning			4,140,247	
Fund balance - ending			<u>\$ 4,897,958</u>	

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

City of Kelso
Arterial Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 725,000	\$ 848,000	\$ 383,420	\$ (464,580)
Charges for services	158,000	158,000	298,724	140,724
Investment earnings	100	100	9	(91)
Contributions	-	61,580	-	(61,580)
Miscellaneous	2,000	2,000	1,722	(278)
Total revenues	<u>885,100</u>	<u>1,069,680</u>	<u>683,875</u>	<u>(385,805)</u>
Expenditures				
Capital outlay	1,670,000	2,178,305	1,060,999	1,117,306
Debt Service:				
Principal	135,450	135,450	-	135,450
Interest	14,913	14,913	14,672	241
Total expenditures	<u>1,820,363</u>	<u>2,328,668</u>	<u>1,075,671</u>	<u>1,252,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(935,263)</u>	<u>(1,258,988)</u>	<u>(391,796)</u>	<u>867,192</u>
Other financing sources (uses)				
Proceeds from interfund loans	-	323,725	-	(323,725)
Transfers in	913,000	913,000	268,000	(645,000)
Total other financing sources (uses)	<u>913,000</u>	<u>1,236,725</u>	<u>268,000</u>	<u>(968,725)</u>
Net change in fund balance	<u>(22,263)</u>	<u>(22,263)</u>	<u>(123,796)</u>	<u>(101,533)</u>
Fund balance - beginning	<u>(304,403)</u>	<u>(304,403)</u>	<u>(304,403)</u>	<u>-</u>
Fund balance - ending	<u>\$ (326,666)</u>	<u>\$ (326,666)</u>	<u>\$ (428,199)</u>	<u>\$ (101,533)</u>

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

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City of Kelso
Statement of Net Position
Proprietary Funds
December 31, 2015

	Business-type Activities - Enterprise Funds				Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund	Total	
	Solid Waste	Water- Sewer	Storm Water		
ASSETS					
Current Assets:					
Cash & cash equivalents	\$ 189,414	\$ 5,046,847	\$ 582,779	\$ 5,819,040	\$ 862,983
Investments	-	796,401	-	796,401	-
Restricted cash, cash equivalents, and investments:					
Customer deposits	-	339,877	-	339,877	-
Accounts receivable	265,174	1,362,380	127,380	1,754,934	-
Total current assets	<u>454,588</u>	<u>7,545,505</u>	<u>710,159</u>	<u>8,710,252</u>	<u>862,983</u>
Noncurrent assets:					
Restricted cash, cash equivalents, and investments:					
Revenue bond covenant accounts	-	210,735	-	210,735	-
Investments	-	391,910	-	391,910	-
Capital Assets:					
Land	-	28,712	-	28,712	-
Buildings and structures	-	10,679,914	-	10,679,914	-
Improvements other than buildings	-	28,111,269	727,472	28,838,741	-
Machinery and equipment	-	3,001,345	43,401	3,044,746	2,907,665
Construction in progress	-	1,526,096	133,960	1,660,056	-
Less accumulated depreciation	-	(17,596,427)	(346,306)	(17,942,733)	(2,301,096)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>25,750,909</u>	<u>558,527</u>	<u>26,309,436</u>	<u>606,569</u>
Total noncurrent assets	<u>-</u>	<u>26,353,554</u>	<u>558,527</u>	<u>26,912,081</u>	<u>606,569</u>
Total Assets	<u>454,588</u>	<u>33,899,059</u>	<u>1,268,686</u>	<u>35,622,333</u>	<u>1,469,552</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	85,302	20,679	105,981	-
Total Deferred Outflows of Resources	<u>-</u>	<u>85,302</u>	<u>20,679</u>	<u>105,981</u>	<u>-</u>

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

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Major Funds		Non-Major Fund	Total	
	Solid Waste	Water- Sewer	Storm Water		
LIABILITIES					
Current Liabilities:					
Accounts payable	143,981	480,011	40,293	664,285	5,815
Compensated absences	-	19,072	2,686	21,758	-
Customer deposits	-	339,877	-	339,877	-
Accrued interest payable	-	18,809	-	18,809	-
Current revenue bonds payable	-	200,000	-	200,000	-
Current portion notes payable	-	187,507	-	187,507	-
Total current liabilities	<u>143,981</u>	<u>1,245,276</u>	<u>42,979</u>	<u>1,432,236</u>	<u>5,815</u>
Noncurrent liabilities:					
Compensated absences	-	57,216	8,058	65,274	-
Revenue bonds payable	-	4,085,000	-	4,085,000	-
Notes payable	-	909,209	-	909,209	-
Net pension liability	-	736,286	178,494	914,780	-
Total noncurrent liabilities	-	<u>5,787,711</u>	<u>186,552</u>	<u>5,974,263</u>	-
Total Liabilities	<u>143,981</u>	<u>7,032,987</u>	<u>229,531</u>	<u>7,406,499</u>	<u>5,815</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	124,367	30,150	154,517	-
Total Deferred Inflows of Resources	-	<u>124,367</u>	<u>30,150</u>	<u>154,517</u>	-
NET POSITION					
Net investment in capital assets	-	20,369,194	558,527	20,927,721	606,569
Restricted for debt service	-	602,645	-	602,645	-
Unrestricted	310,607	5,855,168	471,157	6,636,932	857,168
Total net position	<u>\$ 310,607</u>	<u>\$ 26,827,007</u>	<u>\$ 1,029,684</u>	<u>28,167,298</u>	<u>\$ 1,463,737</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				747,192	
Net position of business-type activities				<u>\$ 28,914,490</u>	

City of Kelso
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			Total	Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund		
	Solid Waste	Water- Sewer	Storm Water		
Operating revenues:					
Charges for services	\$ 1,422,317	\$ 8,628,288	\$ 706,457	\$ 10,757,062	\$ 232,436
Other operating revenue	4,335	151,182	27,484	183,001	-
Total operating revenues	<u>1,426,652</u>	<u>8,779,470</u>	<u>733,941</u>	<u>10,940,063</u>	<u>232,436</u>
Operating expenses:					
General operations	809,998	2,505,432	542,123	3,857,553	-
Contracted processing operations	452,300	2,731,578	-	3,183,878	-
Maintenance	2,862	225,156	159,423	387,441	-
Depreciation	-	791,185	24,249	815,434	204,880
Taxes	216,046	1,137,250	9,964	1,363,260	-
Total operating expenses	<u>1,481,206</u>	<u>7,390,601</u>	<u>735,759</u>	<u>9,607,566</u>	<u>204,880</u>
Operating income (loss)	<u>(54,554)</u>	<u>1,388,869</u>	<u>(1,818)</u>	<u>1,332,497</u>	<u>27,556</u>
Nonoperating revenues (expenses):					
Investment earnings	361	16,533	699	17,593	838
Intergovernmental	7,259	-	-	7,259	-
Other	-	9,040	572	9,612	-
Gain (loss) on capital asset disposition	-	-	-	-	5,595
Interest expense	-	(239,756)	-	(239,756)	-
Total nonoperating revenues (expenses)	<u>7,620</u>	<u>(214,183)</u>	<u>1,271</u>	<u>(205,292)</u>	<u>6,433</u>
Income (loss) before capital contributions,	<u>(46,934)</u>	<u>1,174,686</u>	<u>(547)</u>	<u>1,127,205</u>	<u>33,989</u>
Change in net position	<u>(46,934)</u>	<u>1,174,686</u>	<u>(547)</u>	<u>1,127,205</u>	<u>33,989</u>
Total net position - beginning, restated (See note V.J.)	357,541	25,652,321	1,030,231		1,429,748
Total net position - ending	<u>\$ 310,607</u>	<u>\$ 26,827,007</u>	<u>\$ 1,029,684</u>		<u>\$ 1,463,737</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				70,215	
Change in net position of business-type activities				<u>\$ 1,197,420</u>	

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

City of Kelso
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2015

	Business-type Activities - Enterprise Funds				Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund	Totals	
	Solid Waste	Water- Sewer	Storm Water		
Cash flows from operating activities					
Receipts from customers and users	\$ 1,396,440	\$ 8,487,342	\$ 683,607	\$ 10,567,389	\$ -
Receipts from other sources	4,335	48,588	6,650	59,573	-
Receipts from interfund services provided	-	102,594	20,834	123,428	232,436
Payments to suppliers and service providers	(1,396,539)	(5,129,859)	(321,447)	(6,847,845)	-
Payments to employees	(7,668)	(1,266,173)	(274,296)	(1,548,137)	-
Payments for interfund services used	(69,084)	(428,443)	(113,733)	(611,260)	-
Net cash provided (used) by operating activities	(72,516)	1,814,049	1,615	1,743,148	232,436
Cash flows from noncapital financing activities					
Operating grants received	12,258	-	51,890	64,148	-
Net cash provided (used) by noncapital financing activities	12,258	-	51,890	64,148	-
Cash flows from capital and related financing activities					
Proceeds from capital recovery fees	-	6,949	572	7,521	-
Capital grants received	-	-	14,280	14,280	-
Proceeds from sale of capital assets	-	-	-	-	5,595
Acquisition and construction of capital assets	-	(1,209,028)	(10,826)	(1,219,854)	(268,034)
Principal paid on capital debt	-	(382,506)	-	(382,506)	-
Interest paid on capital debt	-	(202,578)	-	(202,578)	-
Net cash provided (used) by capital financing activities	-	(1,787,163)	4,026	(1,783,137)	(262,439)
Cash flows from investing activities					
Interest received	362	15,215	698	16,275	838
Purchase of investments	-	(391,910)	-	(391,910)	-
Proceeds from sale of investments	-	401,356	-	401,356	-
Net cash provided (used) by investing activities	362	24,661	698	25,721	838
Net increase (decrease) in cash and cash equivalents	(59,896)	51,547	58,229	49,880	(29,165)
Cash and cash equivalents, January 1	249,310	5,545,912	524,550	6,319,772	892,148
Cash and cash equivalents, December 31	\$ 189,414	\$ 5,597,459	\$ 582,779	\$ 6,369,652	\$ 862,983
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (54,554)	\$ 1,388,869	\$ (1,818)	\$ 1,332,497	\$ 27,556
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	791,185	24,249	815,434	204,880
(Increase) decrease in accounts receivable	(25,877)	(137,636)	(22,850)	(186,363)	-
Increase (decrease) in customer deposits	-	(3,310)	-	(3,310)	-
Increase (decrease) in accounts payable	7,915	(171,602)	13,997	(149,690)	-
Increase (decrease) in compensated absences	-	(6,813)	(656)	(7,469)	-
Increase (decrease) in pension expense	-	(46,644)	(11,307)	(57,951)	-
Total adjustments	(17,962)	425,180	3,433	410,651	204,880
Net cash provided (used) by operating activities	\$ (72,516)	\$ 1,814,049	\$ 1,615	\$ 1,743,148	\$ 232,436

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

City of Kelso
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Firemen's Pension Fund	Airport Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash & cash equivalents	\$ 445,141	\$ 420,397
Receivables	10,827	122,956
Total assets	<u>455,968</u>	<u>543,353</u>
Liabilities		
Accounts payable	28,083	140,353
Custodial accounts	-	403,000
Total liabilities	<u>28,083</u>	<u>\$ 543,353</u>
Net Position		
Held in trust for pension benefits	<u>\$ 427,885</u>	

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

City of Kelso
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended December 31, 2015

	Firemen's Pension Fund
Additions	
Contributions:	
Employer	\$ 161,905
Nonemployer contributing entities	12,112
Total contributions	174,017
Investment earnings:	
Interest	510
Total investment earnings	510
Total additions	174,527
 Deductions	
Pension benefits	58,138
Healthcare benefits	97,898
Administrative expenses	2,283
Total deductions	158,319
Change in net position	16,208
Net position - beginning	411,677
Net position - ending	\$ 427,885

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

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CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

I. Summary of significant accounting policies

The financial statements of the City of Kelso 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 significant accounting policies are described below.

A. Reporting Entity

The City of Kelso was incorporated in January 1889 and operates under the laws of the State of Washington applicable to a Charter Code City with a Council-Manager form of government.

The City's Comprehensive Annual Financial Report (CAFR) includes the financial statements for the City of Kelso and its component units, entities for which the City is considered to be financially accountable. The City has one blended component unit, the Kelso Transportation Benefit District. Although legally separate entities, blended component units are, in substance, part of the City's operations. (See Note V.I.).

The Southwest Washington Regional Airport provides airport services to the region surrounding the City of Kelso. This activity is neither directly controlled nor dependent upon the City. It is directed by a board of directors composed of representatives from the City of Kelso, the City of Longview, Washington, Cowlitz County, Washington, and the Port of Longview and derives some financial support from each of these entities. It is not a separate taxing authority. An additional interlocal agreement directs the City of Kelso to maintain the financial records and reports as required by the laws of the State of Washington in addition to City's duty as Airport Treasurer. The combined financial statements therefore also include the Southwest Washington Regional Airport Agency fund.

B. 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 nonfiduciary activities of the City. 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 for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs for centralized services are included in program expenses reported for individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

given function and 2) grants and contributions that are restricted to meeting the operational 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 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 funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 generally 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 most 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 and claims and judgments, are recorded only when payment is due.

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 90 days of year end). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

The *arterial street fund* accounts for the receipt and expenditure of various grants, road maintenance fees, as well as transfers from the other funds. Revenues are designated for construction, improvement, chip sealing, seal coating, and repair of streets and arterial streets or for payment of related municipal indebtedness.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for operations of providing water and sewer services.

The *solid waste fund* accounts for operations of providing garbage collection services.

Additionally, the City reports the following fund types:

The *internal service fund* accounts for fleet management and acquisition services provided to other departments of the City.

The *pension trust fund* accounts for the activities of the Firemen's Pension Fund, which accumulates resources for pension and healthcare benefit payments to qualified retired firemen and qualified spouses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 water/sewer enterprise fund, the solid waste enterprise fund, the storm drain enterprise fund and the City's 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 nonoperating revenues and expenses.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

D. Employee retirement systems and pension plans

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.

E. Assets, liabilities, deferred outflows/inflows of resources and net position or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U. S. Treasury, U.S. Agencies, obligations of the State of Washington, general obligations of Washington State municipalities, bankers' acceptances, certificates of deposit with Washington State banks, and the State Treasurer's Investment Pool.

Investments of pension trust funds are not subject to the preceding limitations.

Investments for the City are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided, as well as, court ordered fines. Taxes receivable consist of property, sales, and utility taxes and related interest and penalties (See Note V.B.). Special assessments consist of assessments which are recorded when levied and are liens against the property benefited. There is \$683 in delinquent special assessments as of December 31, 2015.

Because property taxes, special assessments, and utility billings are considered liens on property, no estimated uncollectible amounts are established. Receivables from court ordered fines are shown net of allowance for uncollectibles. All other receivables are considered immaterial and the direct write off method is used.

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Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Inventories

Inventories in governmental and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure/expense at the time individual inventory items are purchased. Ending inventories of materials and supplies are not recorded in governmental or proprietary funds as they are immaterial.

4. Restricted assets

Certain proceeds of the City’s water/sewer fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The “revenue bond current debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “revenue bond reserve” account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. In addition, deposits received from customers for water service are also restricted.

The restricted assets of the enterprise funds consists of \$942,522 which is cash and investments held for debt service and customer deposit refunds.

5. Capital assets

Capital assets – which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) – are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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Property, plant, equipment and infrastructure of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 50
Improvements	10 - 50
Public domain infrastructure	10 - 50
System infrastructure	10 - 50
Vehicles	5 - 10
Office equipment	3 - 10
Computer equipment	3 - 10

Water and sewer infrastructure assets are depreciated beginning in the year after they are put in service.

6. Deferred 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 element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) 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 element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

7. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, comp-time, and sick pay benefits. All vacation pay, comp-time pay, and eligible sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are

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amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net position/Fund balance

The difference between fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is “net position” on the government-wide, proprietary, and fiduciary fund statements, and is “fund balance” on the governmental fund statements.

10. Fund balance components

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54. Amounts are reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City’s highest level of decision-making authority. City Council can commit fund balance by passing an ordinance and may modify or rescind the ordinance at any time through the passage of an additional ordinance.
- Assigned fund balance includes amounts that are constrained by the City’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the remaining amounts within the fund that are not classified as nonspendable and are neither restricted nor committed. The City Council is the only body

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authorized to assign fund balances and can delegate that authority to other body's or individuals.

- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54.

Generally, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed in order by committed, assigned, and unassigned resources as they are needed.

The City does not have a formal minimum fund balance policy.

11. Data reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental funds balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(2,484,406) difference are as follows:

Bonds payable	\$(2,175,000)
Less: Deferred charges/loss on issuance (to be amortized over life of debt)	43,175
Accrued interest payable	(5,702)
Compensated absences	<u>(346,879)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(2,484,406)</u>

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Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.” The details of this \$58,139,455 difference are as follows:

Capital assets used in governmental fund operations	\$85,966,064
Less: Accumulated depreciation	<u>(27,826,609)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$58,139,455</u>

Another element of that reconciliation explains that “Net Pension and Net OPEB Assets or Obligations are not considered to represent a financial resource or liability and, therefore, are not reported in the funds. The details of this \$(2,213,466) difference are as follows:

Net OPEB obligation	\$(1,889,089)
Net pension obligation	(1,316,390)
Net pension asset	1,250,710
Deferred inflows related to pensions	(533,056)
Deferred outflows related to pensions	274,359
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(2,213,466)</u>

Another element of that reconciliation explains that “Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The details of this \$493,481 difference are as follows:

Property taxes receivable	\$ 107,810
Grants receivable	279,644
Court ordered fines receivable – net	<u>106,027</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 493,481</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated

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useful lives and reported as depreciation expense.” The details of this \$(955,984) difference are as follows:

Capital outlay	\$ 1,192,087
Depreciation expense	<u>(2,148,071)</u>
Net adjustment to decrease <i>net changes in funds balances- total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (955,984)</u>

Another element of that reconciliation states that “Some revenues reported in the governmental funds have already been reported in the statement of activities in prior years.” The details of this \$(16,888) difference are as follows:

Property taxes	\$ (3,576)
Court ordered fines	<u>(13,312)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities.</i>	<u>\$ (16,888)</u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$279,644 difference are as follows:

Miscellaneous grants	<u>\$ 279,644</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities.</i>	<u>\$ 279,644</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$140,000 difference are as follows:

Principal repayments:	
General obligation debt	<u>\$ 140,000</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities.</i>	<u>\$ 140,000</u>

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Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(27,312) difference are as follows:

Compensated absences	\$ (3,347)
Amortization of issuance costs	<u>(23,965)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ (27,312)</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

Biennial budgets are adopted for the general and special revenue funds on the modified accrual basis of accounting. Proprietary fund budgets are also adopted utilizing the modified accrual basis of accounting. Except as noted below, for governmental funds, there are no material differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in funds ledgers for all budgeted funds, but the financial statements include budgetary comparisons for annually budgeted governmental funds only. Budgets for debt service and capital project funds are only required to be adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of the debt issues or projects, however the City of Kelso also budgets on a biennial basis as well. NCGA Statement 1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types. Biennial budgets are adopted at the level of the fund, and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations for general and special revenue funds lapse at year-end.

The City of Kelso's budget procedures are mandated by RCW 35A.34. The following is a summary of the budget process:

Prior to November 1, of even-numbered years, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the City Manager. The Council conducts public hearings on the proposed budget in November and December. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31. Within 30 days of year end, the final budget is available to the public.

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The City Manager is authorized to transfer budgeted amounts between departments within any fund and object classes within departments; however, any revisions that alter the total expenditures of a fund or that effect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority plus one upon second reading of the proposed ordinance amending the budget. The 2015 budget was amended two times. Budget amounts shown in the fund financial statements include the original budget amounts plus the revised budget amounts approved by the City Council.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Kelso.

B. Budgetary/GAAP basis reconciliation

In accordance with GASB Statement No. 54, the City reclassified certain funds within the governmental fund types for reporting purposes. For budgetary and internal reporting the City classifies its street, library, parks, façade, and Kelso station funds as special revenue funds. Under GASB 54, these funds do not meet the criteria to be classified as special revenue funds and are reported as part of the general fund in the basic financial statements, thus creating a basis difference. Basis differences arise when the budgetary basis of accounting differs from the basis of accounting applicable to fund types when reporting on operations in accordance with GAAP. This difference is comprised of the following in the general fund:

Revenues:	
Street fund	\$ 717,332
Library fund	441,892
Kelso Station fund	48,160
Parks Fund	265,273
Façade Fund	1
Expenditures:	
Street fund	(619,832)
Library fund	(502,829)
Kelso Station fund	(50,023)
Parks Fund	(242,435)
Façade Fund	<u>-</u>
Total General fund Basis difference	<u>\$ 57,539</u>

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C. Deficit fund balance

The Arterial Street Fund deficit of \$428,199 is due to accounting for an interfund loan in this fund while the capital assets constructed with the loan proceeds are not. In addition, the City incurred certain capital expenditures that are reimbursable from various grants. However, these grants were not received by the City within 90 days after year end and therefore classified as unearned revenue. A deficit balance is normal for this type of situation.

IV. Detailed notes on all funds

A. Deposits and investments

The City of Kelso's deposits are entirely covered by Federal Depository Insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). Under State statute, members of WPDPC may be assessed losses on a prorated basis if the pool's collateral provides insufficient coverage. Deposits collateralized in the collateral pool are considered insured, and therefore not exposed to custodial credit risk. At year end, the City's carrying amount of deposits was \$6,506,855 and the bank balance was \$6,422,263.

As of December 31, 2015, the City had the following investments:

Investment	Maturities	Fair Value
Federal Home Loan Bank	7/13/2018	\$ 1,399,678
Federal National Mortgage Association	11/15/2017	\$ 1,592,801
State Treasurer's investment pool	< 90 days	<u>\$ 6,884,229</u>
Total investments		<u>\$ 9,876,708</u>

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City's investment policy further limits its investment choices to include the following:

- Investment deposits, including certificates of deposit, with qualified public depositories.

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- Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States. (However, this specifically excludes Collateralized Mortgage Obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and other Principal Only (POs) and Interest Only (IOs) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm).
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. (These include but are not limited to Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation.)
- Washington State Local Government Investment Pool.
- Lawfully issued debt obligations of the agencies and instrumentalities of the State of Washington and its political subdivisions that have a long-term credit rating of A1/A+ or higher by a nationally recognized rating agency at the time of investment. General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington that have a long-term credit rating of A1/A+ or higher by a nationally recognized rating agency at the time of investment.

The City's investment in the State's investment pool is not rated. However, the investment pool's investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, bankers' acceptances, commercial paper, certificates of deposit, or obligations of the State of Washington or its political subdivisions. Bankers' acceptances and commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations at the time of purchase.

Custodial Credit Risk – Investments

For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy with regard to custodial credit risk, however, for all of 2015, the City's investments were either in the Washington State Local Government Investment Pool or held in a custodial safekeeping account with a bank.

Concentration of Credit Risk

The City's investment policy states that no more than 90% of the total portfolio may be invested in certificates of deposits, federal agency securities, or U.S. Treasuries.

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Further, no more than 25% of the total portfolio will be invested in obligations of the State of Washington or its political subdivisions and no more than 10% of the portfolio in any one bond issue.

B. Receivables

Receivables as of year end for the City's individual major funds and nonmajor funds in the aggregate, are as follows (amounts are expressed in thousands of dollars):

	<u>General</u>	<u>Arterial Street</u>	<u>Solid Waste</u>	<u>Water/ Sewer</u>	<u>Non- major Govt. Funds</u>	<u>Non- major Prop. Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$1,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,496
Accounts	194	13	265	1,362	6	127	1,967
Special Assessments	-	17	-	-	-	-	17
Intergovernmental	104	356	-	-	8	-	468
Long-term notes	-	-	-	-	612	-	612
Net total receivables	<u>\$1,794</u>	<u>\$ 386</u>	<u>\$ 265</u>	<u>\$1,362</u>	<u>\$ 626</u>	<u>\$ 127</u>	<u>\$4,560</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of these deferrals reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 107,810	\$ -
Delinquent Court ordered fines receivable (general fund)	106,027	-
Grants received (general fund)	47,044	-
Grants received (arterial street fund)	232,600	141,811
Special assessments not due yet (arterial street fund)	-	16,787
Prepaid lease (Non-major fund)	-	74,682
Total deferred/unearned revenue for governmental funds	<u>\$ 493,481</u>	<u>\$233,280</u>

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C. Capital assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$18,588,751	\$ 4,342,919	\$ -	\$22,931,670
Construction in progress	<u>11,136,119</u>	<u>547,246</u>	<u>10,503,782</u>	<u>1,179,583</u>
Total capital assets, not being depreciated	<u>29,724,870</u>	<u>4,890,165</u>	<u>10,503,782</u>	<u>24,111,253</u>
Capital assets, being depreciated:				
Buildings	12,280,316	-	-	12,280,316
Improvements other than buildings	6,242,644	-	-	6,242,644
Machinery and equipment	2,941,206	315,916	137,770	3,119,352
Infrastructure	<u>35,196,596</u>	<u>6,723,639</u>	<u>-</u>	<u>41,920,235</u>
Total capital assets being depreciated	<u>56,660,762</u>	<u>7,039,555</u>	<u>137,770</u>	<u>63,562,547</u>
Less accumulated depreciation for:				
Buildings	4,694,421	323,102	-	5,017,523
Improvements other than buildings	3,198,247	295,853	-	3,494,100
Machinery and equipment	2,403,917	213,344	137,770	2,479,491
Infrastructure	<u>16,638,332</u>	<u>1,457,981</u>	<u>-</u>	<u>18,096,313</u>
Total accumulated depreciation	<u>26,934,917</u>	<u>2,290,280</u>	<u>137,770</u>	<u>29,087,427</u>
Total capital assets, being depreciated, net	<u>29,725,845</u>	<u>4,749,275</u>	<u>-</u>	<u>34,475,120</u>
Governmental activities capital assets, net	<u>\$59,450,715</u>	<u>\$ 9,639,440</u>	<u>\$10,503,782</u>	<u>\$58,586,373</u>
	Beginning Balance	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 28,712	\$ -	\$ -	\$ 28,712
Construction in progress	<u>1,079,715</u>	<u>1,399,638</u>	<u>819,297</u>	<u>1,660,056</u>
Total capital assets, not being depreciated	<u>1,108,427</u>	<u>1,399,638</u>	<u>819,297</u>	<u>1,688,768</u>
Capital assets, being depreciated:				
Buildings and structures	10,679,914	-	-	10,679,914
Improvements other than buildings	28,200,498	645,220	6,977	28,838,741
Machinery and equipment	<u>4,233,365</u>	<u>88,878</u>	<u>77,568</u>	<u>4,244,675</u>
Total capital assets being depreciated	<u>43,113,777</u>	<u>734,098</u>	<u>84,545</u>	<u>43,763,330</u>
Less accumulated depreciation for:				
Buildings and structures	2,213,909	219,148	-	2,433,057
Improvements other than buildings	12,595,198	536,593	6,977	13,124,814
Machinery and equipment	<u>3,380,344</u>	<u>122,364</u>	<u>77,568</u>	<u>3,425,140</u>
Total accumulated depreciation	<u>18,189,451</u>	<u>878,105</u>	<u>84,545</u>	<u>18,983,011</u>
Total capital assets, being depreciated, net	<u>24,924,326</u>	<u>(144,007)</u>	<u>-</u>	<u>24,780,319</u>
Business-type activities capital assets, net	<u>\$26,032,753</u>	<u>\$ 1,255,631</u>	<u>\$ 819,297</u>	<u>\$26,469,087</u>

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Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 193,261
Security of persons and property	11,524
Physical environment	1,291
Transportation	1,663,273
Culture and recreation	278,722
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>142,209</u>
Total depreciation expense – governmental activities	<u>\$2,290,280</u>
Business-type activities:	
Water	\$ 456,403
Sewer	334,782
Storm water drainage	24,249
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>62,671</u>
Total depreciation expense – business-type activities	<u>\$ 878,105</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2015, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor govt.	Arterial Street	141,672	2010 overlay project

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor govt.	Arterial Street	110,509	2010 overlay project

Interfund transfers:

<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Arterial Street	\$ 268,000	2015 overlay project
	Nonmajor govt.	115,155	Debt service
	Nonmajor govt.	65,000	Routine operating
Nonmajor govt.	Nonmajor govt.	80,000	Debt service
Nonmajor govt.	Nonmajor govt.	<u>15,000</u>	Routine operating
Total		<u>\$ 543,155</u>	

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E. Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. The debt service on general obligation bonds is paid from debt service funds. Debt service for voter approved issues is funded by special property tax levies. Debt service for City Council authorized or Councilmanic issues are funded from general government revenue sources. The original amount of general obligation bonds issued in prior years was \$2,710,000. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities – City Hall construction	.60% – 3.80%	<u>\$2,175,000</u>
		<u>\$2,175,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year ending</u> <u>December 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 140,000	\$ 68,428
2017	145,000	65,768
2018	145,000	63,013
2019	150,000	59,533
2020	155,000	55,933
2021-2025	855,000	204,841
2026-2030	<u>585,000</u>	<u>45,220</u>
Total	<u>\$2,175,000</u>	<u>\$ 562,736</u>

The City has also received two government loans for the reconstruction of City's water treatment plant. Government loans outstanding at year-end are as follows:

<u>Issuance</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
1999 DWSRF – \$2,040,000	Business-type activities	2.50%	\$ 539,570
2001 DWSRF – \$1,500,000	Business-type activities	1.50%	<u>557,146</u>
Total government loans			<u>\$1,096,716</u>

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Notes to the Financial Statements
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Annual debt service requirements to maturity for governmental loans are as follows:

Year ending <u>December 31</u>	Business-type Activities	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 187,506	\$ 21,846
2017	187,506	17,955
2018	187,506	14,063
2019	187,506	10,171
2020	187,506	6,279
2021-2025	<u>159,186</u>	<u>3,582</u>
Total	<u>\$1,096,716</u>	<u>\$ 73,896</u>

Revenue bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Water/Sewer revenue bond covenants require that revenue available for debt service (defined as operating and nonoperating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 to 1. The City remains in compliance with that provision with a current ratio of 5.36 to 1 coverage. See page 137.

In 2010, the City of Kelso issued \$4,475,000 of revenue bonds. These Water and Sewer Revenue Bonds, 2010 Series A (Tax-Exempt Bonds) (the “Series A Bonds”) in the aggregate principal amount of \$810,000 and the Water and Sewer Revenue Bonds, 2010 Series B (Taxable Recovery Zone Economic Development Bonds – Direct Payment) (the “Series B Bonds,”) in the aggregate principal amount of \$3,665,000, were issued to provide the funds necessary to construct a new water reservoir and replace certain water mains and water meters in the City. The City has designated the Series B Bonds as “recovery zone economic development bonds” for purposes of Section 1400U-2 of the Internal Revenue Code, such that a Tax Credit Subsidy Payment will be allowed to the City pursuant to Section 6431 of the Code in an amount up to 45% of the interest payable on the Series B Bonds on each interest payment date. The interest rate on the “Series A” bonds range from 1.10% – 3.25% and the maturity date is December 1, 2018. The interest rate on the “Series B” bonds range from 5.50%* – 7.40%* and the maturity date is December 1, 2031. The original amount of revenue bonds issued in prior years was \$5,390,000.

* Interest rate shown is not net of federal subsidy

Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water Sewer improvements – refunding	2.40% - 4.20%	\$ 310,000
Water improvements – tax exempt	1.10% - 3.25%	310,000
Water improvements – taxable	5.50% - 7.40%	<u>3,665,000</u>
		<u>\$4,285,000</u>

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Revenue bond debt service requirements to maturity are as follows:

Year ending <u>December 31</u>	Business-type Activities	
	<u>Principal</u>	<u>Interest*</u>
2016	200,000	274,255
2017	205,000	266,950
2018	215,000	259,290
2019	225,000	253,510
2020	225,000	241,135
2021-2025	1,295,000	975,404
2026-2030	1,570,000	487,290
2031-2035	<u>350,000</u>	<u>25,900</u>
Total	<u>\$4,285,000</u>	<u>\$2,783,734</u>

*Interest is not net of Federal Subsidy

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds	\$2,315,000	\$ -	\$ 140,000	\$2,175,000	\$ 140,000
Discount	(20,644)	-	(20,644)	-	-
Compensated absences	343,532	346,879	343,532	346,879	86,720
Net Pension obligation	1,074,325	242,065	-	1,316,390	-
Net OPEB obligation	<u>1,565,871</u>	<u>537,024</u>	<u>213,806</u>	<u>1,889,089</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$5,278,084</u>	<u>\$1,125,968</u>	<u>\$ 676,694</u>	<u>\$5,727,358</u>	<u>\$ 226,720</u>
Business-type activities:					
Revenue bonds	\$4,480,000	\$ -	\$ 195,000	\$4,285,000	\$ 200,000
Discount	(38,701)	-	(38,701)	-	-
Drinking Water State Revolving Fund	1,284,222	-	187,506	1,096,716	187,507
Compensated absences	94,501	87,032	94,501	87,032	21,758
Net Pension obligation	<u>746,565</u>	<u>168,215</u>	<u>-</u>	<u>914,780</u>	<u>-</u>
Business-type activity Long-term liabilities	<u>\$6,566,587</u>	<u>\$ 255,247</u>	<u>\$ 438,306</u>	<u>\$6,383,528</u>	<u>\$ 409,265</u>

For the governmental activities, compensated absences are generally liquidated by the general fund. Pension and OPEB liabilities are also liquidated by the general fund.

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance.

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Washington Cities Insurance Authority

The City of Kelso 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 179 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, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage 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.

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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.

Settlements have not exceeded coverages for each of the past three fiscal years.

Association of Washington Cities Employee Benefit Trust Health Care Program

The City is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the State of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the State of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The City's contribution to the Trust for the year ended December 31, 2015 was \$398,940. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/ Asuris plans at an Individual Stop

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Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

AWC Health First - 1000

- \$871.51 for non-Medicare enrolled retiree coverage
- \$879.12 for non-Medicare enrolled spouse coverage

AWC Health First - 2500

- \$760.96 for non-Medicare enrolled retiree coverage
- \$766.49 for non-Medicare enrolled spouse coverage

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with fewer than 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

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Unemployment Insurance

The City is self insured for amounts related to unemployment claims. The City pays these claims on a pay-as-you go basis and does not set aside funds for future claims. The City made the following payments for unemployment claims:

2015	\$ 7,854
2014	\$17,450
2013	\$ 6,565

B. Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable when levied, offset by a deferred inflow of resources. During the year, property tax revenues are recognized when cash is collected. The amount of taxes receivable at year-end that would be collected soon enough to be available to pay liabilities of the current period is immaterial.

The City of Kelso may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services and 22.5 cents per \$1,000 for local Fire Pension Funds. However, the amount is reduced by the Fire District #2 annexation. Fire District #2 may levy up to a maximum of \$1.50 per \$1,000 of assessed valuation. The City's levy is also subject to the following two limitations:

The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

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Washington State law in RCW 84.55.010 limits the growth of regular property taxes to the lesser of 1 percent per year, or the Implicit Price Deflator. Adjustments for new construction are excluded from this calculation. If the assessed valuation increases by more than 1 percent due to revaluation, the levy rate will be decreased.

The City's regular levy for 2015 was \$2.0467 per \$1,000 on an assessed valuation of \$690,210,344 for a total regular levy of \$1,412,682.

C. Subsequent event

On May 19, 2016, the City of Kelso issued \$3,200,000 of Limited Tax General Obligation Bonds to pay the costs of certain road and stormwater improvements. The interest rate on the bonds range from 2.00 – 4.00 percent and the maturity date is December 1, 2035.

D. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by these grantors, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and counsel, the City's insurance policies are adequate to pay all known or pending claims.

E. Other Property and Investments

Three Rivers Regional Waste Water Authority

In 1996 the City of Kelso entered into an interlocal agreement with Cowlitz County, the City of Longview, and Beacon Hill Sewer District, to form the Three Rivers Regional Waste Water Authority (TRRWA). The TRRWA was created so that the participating entities can equitably share in the operations and improvements of the central sewage treatment facility. The TRRWA is governed by a four member board. This board is made up of an appointed representative from each jurisdiction. The TRRWA does not have separate legal status and is intended to be an ongoing, long term relationship. Therefore, it is not a joint venture.

Each entity is obligated to make monthly payments to the TRRWA based on the following criteria: TRRWA formulates its preliminary annual budget by the last working day of September each year. Each entity's appointed representative then submits its proportionate share of TRRWA's budget to their respective jurisdiction for

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incorporation of the expense into the entity's sewer enterprise fund budget. Expenses for maintenance and operations, repairs and replacements to existing facilities, and debt service are funded by the participating entities based on their proportionate share of flow to the Facilities as determined by the TRRWA. Capital improvements to the Facility are funded by System Development Charges by each entity's sewage utility fund or in proportion to each jurisdictions respective flow to the facilities. Payments made to TRRWA by the City in 2015 were \$2,731,578.

This agreement may not be terminated so long as there remains outstanding any bonds or other debt or loan obligations payable from the TRRWA rates described above. Upon termination of the agreement, each entity's interest in the net position shall be deemed to be equal to their proportionate share of payments over the then previous 12 calendar months. The City does not have an equity interest in the TRRWA. Complete financial statements for the TRRWA can be obtained from the TRRWA at 207 4th Avenue North, Kelso, WA 98626.

F. Joint Venture

Southwest Washington Regional Airport Board

In 2012 the City of Kelso entered into an interlocal agreement with Cowlitz County, the City of Longview, and the Port of Longview, to form the Airport Operations Board (The Board). The Board was created so that the participating entities can equitably share in the operations and improvements of the Southwest Washington Regional Airport. However, the City of Kelso retains final decision making authority in all decisions as may be required of a sponsor by the Federal Aviation Administration (FAA) under the grant assurances included in Kelso's previous and future grant agreements. The Board is governed by a five member board. This board is made up of an appointed representative from each jurisdiction plus one at large member.

The Board formulates its preliminary annual budget and submits it to each participating jurisdiction prior to August 1, of each year. Estimated expenses for maintenance and operations, repairs and replacements to existing facilities, capital projects, and debt service are netted against estimated airport operating revenues to determine the amount of annual subsidy required by the participating jurisdictions. Each jurisdiction is responsible for 25% of the estimated subsidy. Payments made to the airport by the City in 2015 were \$71,250.

This agreement may be terminated at any time upon the approval by a super-majority of the entities. All assets and liabilities acquired by the Board will remain the property of the airport and used for airport maintenance and operations consistent with FAA's Revenue Use Policy. In the event the airport ceases to operate, any assets or liabilities remaining from such property acquired after the commencement of this agreement, and after the full satisfaction of all federal obligations, grant repayments to the FAA,

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and satisfaction of FAA's Revenue Use Policy, shall be distributed to the parties in the same proportion as the financial contribution of the parties for its acquisition.

As of December 31, 2015, the City's ongoing financial responsibility is minimal. In addition, the airport has less than \$25,000 in outstanding long-term obligations and is not accumulating significant resources or experiencing fiscal stress that would cause additional material financial benefit or burden on the City in the future. The airport does not issue stand-alone financial statements.

G. Post employment benefits other than pension benefits

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

Plan description. The City of Kelso administers a single-employer defined benefit healthcare plan. It is a closed plan that provides post-retirement health care benefits, in accordance with State statute to all LEOFF 1 (law enforcement officers and fire fighters hired prior to October 1, 1977) retirees. Currently, there are 18 LEOFF 1 retirees who are eligible to receive necessary medical and hospitalization coverage.

The City reimburses one hundred percent of the amount of validated claims for medical and hospitalization costs incurred by retirees. State statute provides that the City's responsibility for medical payments of LEOFF 1 retirees is secondary to any other coverage retirees receive or are eligible to receive. Therefore, upon reaching age 65, the City requires the retirees to apply for and utilize Medicare Part B coverage. In 2015, the City's cost for these Medicare premiums was \$20,414. This expenditure represents a fixed amount of approximately \$106 per month for 16 LEOFF 1 retirees.

Funding Policy. Employer contributions are financed on a pay-as-you-go basis. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$213,806 were recognized for post-retirement health care.

Annual OPEB Cost and Net OPEB Obligation (NOO). The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

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Annual required contribution	\$ 621,006
Interest on net OPEB obligation	62,635
Adjustment to annual required contribution	<u>(146,617)</u>
Annual OPEB cost	537,024
Contributions made	<u>213,806</u>
Increase in net OPEB obligation	323,218
Net OPEB obligation beginning of year	<u>1,565,871</u>
Net OPEB obligation end of year	<u><u>\$1,889,089</u></u>

Three Year Trend Information:

<u>Annual OPEB Percentage Contributed</u>			
<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB Obligation</u>
12/31/13	\$447,464	61.69%	\$1,245,099
12/31/14	\$558,824	42.60%	\$1,565,871
12/31/15	\$537,024	39.81%	\$1,889,089

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$6,904,580, all of which was unfunded. The covered payroll ratio is not applicable to this plan as all members are retired.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical patterns of benefit costs incurred by the employer to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

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Marital status- Not applicable, spouses are not eligible for benefits.

Termination and Mortality- Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2011 actuarial valuation report issued by the Office of the Washington State Actuary (OSA). A single retirement age of 56.24 was assumed for all active members for the purposes of determining the actuarial accrued liability and normal cost.

Healthcare cost trend rate- Medical trend, long-term care trend, claims costs and Medicare coverage, and the expected rate of increase in healthcare costs were based on projections made by an independent actuary and used by OSA in a State-wide LEOFF 1 medical study performed in 2013. A rate of 7.0 percent in 2012, reduced to an ultimate rate of 4.6 percent after 2089, was used.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. A 3% general inflation rate was used based on the CPI for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bremerton, WA – All Items. In addition, the projected unit credit actuarial cost method was used to determine the AAL, with results based on grouped data of 4 active and 4 inactive groupings. The AAL and NOO are amortized on an open basis as a level dollar amount over 15 years. The remaining amortization period at December 31, 2015, is thirteen years.

This OPEB plan does not issue a stand-alone financial report nor is it included in the report of another entity.

H. Employee retirement systems and pension plans

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 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 2015:

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Aggregate Pension Amounts – All Plans

Pension liabilities	\$ 2,231,170
Pension assets	\$ 1,250,710
Deferred outflows of resources	\$ 380,340
Deferred inflows of resources	\$ 687,573
Pension expense/expenditures	\$ 96,091

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.

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

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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 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The City's actual contributions to the plan were \$121,883 for the year ended December 31, 2015.

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

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 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The City's actual contributions to the plan were \$148,675 for the year ended December 31, 2015.

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:

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Notes to the Financial Statements
December 31, 2015

- 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 1 had no required employer or employee contributions for fiscal year 2015. 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 2015 were as follows:

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

LEOFF Plan 2

Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City's actual contributions to the plan were \$114,395 for the year ended December 31, 2015.

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, 2015, the State contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. 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 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% 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.

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Notes to the Financial Statements
December 31, 2015

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

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.

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Notes to the Financial Statements
December 31, 2015

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, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of NPL

The table below presents the City's proportionate share of the net pension liability (asset) 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.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$1,478,169	\$1,214,099	\$ 987,023
PERS 2/3	2,973,867	1,017,071	(481,252)
LEOFF 1	(325,442)	(508,700)	(664,892)
LEOFF 2	743,075	(742,010)	(1,859,593)

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, 2015, the City reported a total pension liability of \$2,231,170 for its proportionate share of the net pension liabilities as follows:

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

	Liability (or Asset)
PERS 1	\$1,214,099
PERS 2/3	\$1,017,071
LEOFF 1	\$(508,700)
LEOFF 2	\$(742,010)

The amount of the (asset) reported above for LEOFF Plan 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:

	Liability (or Asset)
LEOFF 2 – employer’s proportionate share	\$ (742,010)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	(490,624)
TOTAL	<u>\$ (1,232,634)</u>

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

Plan	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	% .024239	% .023210	% (.001029)
PERS 2/3	.029675	.028465	(.001210)
LEOFF 1	.043135	.042208	(.000927)
LEOFF 2	.073617	.072194	(.001423)

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 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, 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.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

In fiscal year 2015, the State of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ 16,557
PERS 2/3	114,295
LEOFF 1	(93,521)
LEOFF 2	<u>58,760</u>
TOTAL	<u>\$ 96,091</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 66,424
Contributions subsequent to the measurement date	<u>65,384</u>	<u>-</u>
TOTAL	<u>\$ 65,384</u>	<u>\$ 66,424</u>
PERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,115	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	271,510
Changes in proportion and differences between contributions and proportionate share of contributions	-	38,935
Contributions subsequent to the measurement date	<u>83,352</u>	<u>-</u>
TOTAL	<u>\$ 191,467</u>	<u>\$ 310,445</u>

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 85,879
TOTAL	\$ -	\$ 85,879
LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,975	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	224,825
Contributions subsequent to the measurement date	58,514	-
TOTAL	\$ 123,489	\$ 224,825

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, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2	LEOFF 1	LEOFF 2
2016	\$ (25,744)	\$ (85,650)	\$ (33,324)	\$ (75,393)
2017	(25,744)	(85,650)	(33,324)	(75,393)
2018	(25,744)	(85,650)	(33,324)	(75,393)
2019	10,808	54,620	14,093	51,334
2020	-	-	-	12,495
Thereafter	-	-	-	2,500

Note – Deferred outflows/inflows less than \$10,000 are expensed in current period.

Other Local Government Pension System

The City is the administrator of a single employer defined benefit pension plan, the Firemen's Pension Fund. The plan is limited to firefighters and beneficiaries employed before March 1, 1970, and as of March 1, 1970, the plan was closed to new entrants. Firefighters hired before March 1, 1970, at retirement receive the greater of the pension benefit provided under this plan or under the LEOFF plan. Any excess benefit over the LEOFF benefit is provided by the City plan. There are currently ten individuals retired under the LEOFF plan, but drawing excess benefits from this plan. There are no individuals currently employed that are eligible for benefits from this plan. All future obligations of the Firemen's Pension Fund were assumed by the State pension system, LEOFF.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

The Fireman's Pension Fund cash and investment balance consists of \$445,141 with the investment portion held in the State investment pool as of December 31, 2015.

A recent actuarial survey has not been done because annual benefits are approximately \$58,000 and the net position held in trust for pension benefits is over \$425,000 and the average age of current retirees is 81. However, the last actuarial survey indicated that there was a net accrued liability of \$225,000 in the system that will be fully amortized with annual contributions to the plan of \$26,616 through 2024. Furthermore, there was no preparation of the schedules or required supplementary information required by GASB's 67 and 68 because, in management's opinion, future funding and contributions by the City are not material and the cost of future actuarials would outweigh the benefits.

In 2015, the City also received on behalf payments from taxes on fire insurance premium taxes in the amount of \$12,112.

I. Blended Component Unit

Kelso Transportation Benefit District

There is one blended component unit in the City's reporting entity. During 2012 the City Council passed an ordinance forming the Kelso Transportation Benefit District (TBD). RCW 36.73.020 grants cities the authority to establish a TBD. The governing board of the TBD is the Kelso City Council acting in an ex officio and independent capacity. However, the City Council manages the activities of the TBD in essentially the same manner as it manages the activities of the City.

The TBD's purpose is to acquire, construct, improve, provide, and fund transportation improvements within the district that is consistent with any existing State, regional and local transportation plan. RCW 36.73.065 gives the Kelso TBD authorization to impose taxes, fees, charges, and tolls. The Kelso TBD has approved a \$20 vehicle registration fee. The fee is imposed on vehicles registering within the district's boundaries.

In 2015, the State Legislature granted authority for a City to assume all rights, powers, functions, and obligations of a TBD. In November, 2015 the City passed an ordinance to assume all rights, powers, functions, and obligations of the Kelso TBD. This ordinance became effective on January 1, 2016.

The TBD is accounted for in a Special Revenue Fund. Financial reporting for this fund can be found in the combining statements located in the governmental subsection of this report, which starts on Page 98.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

J. Direct Adjustments to Net Position

Prior Period Adjustment

In 2013, the City's stormwater fund began accumulating costs for the design phase of the Gateway LID Retrofit project. The project includes the installation of low impact development (LID) facilities to treat and/or dispose of runoff from certain intersections in West Kelso. The design phase began in late 2013 and was completed in early 2015 and the costs were capitalized as construction in progress. In 2015, it was determined that the project was not economically feasible or environmentally beneficial to construct and the project was abandoned. Costs accumulated through 2014 amounted to \$122,412.

Change in Accounting Principle

In 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements*. GASB 68 requires the City to report its proportionate share of net pension liabilities/assets as reported by the statewide retirement systems administered by the Washington State Department of Retirement Systems. The City's proportionate share of these liabilities and assets at December 31, 2014 were \$2,490,894 and \$844,374, respectively.

Net position as of January 1, 2015 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71 and to correct a capitalization error with regard to certain infrastructure in the City's Stormwater fund:

Statement of Activities – Primary Government		
	Governmental Activities	Business-type Activities
Net position as previously reported at December 31, 2014	\$63,299,986	\$28,860,749
Change in accounting principle:		
Net pension liability	(1,469,627)	(1,021,267)*
Net pension Asset	844,374	-
Prior period adjustment:		
Capitalization error	-	(122,412)*
Net position as restated, January 1, 2015	<u>\$62,674,733</u>	<u>\$27,717,070</u>

*Amounts also restated in the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

CITY OF KELSO
Notes to the Financial Statements
December 31, 2015

K. Reporting Changes

Implementation of GASB 68

For fiscal years that begin after June 15, 2014, GASB 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements*, became effective. This GASB became effective for the City of Kelso in 2015.

Implementation of GASB 71

For fiscal years that begin after June 15, 2014, GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*, became effective. This GASB became effective for the City of Kelso in 2015.

**CITY OF KELSO
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

Other Postemployment Benefits Other Than Pensions

Schedule of Funding Progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funding Ratio	Unfunded AAL	Total Pay	Unfunded AAL/Total Pay
12/31/07	\$ 0	\$5,910,503	0%	\$5,910,503	N/A	N/A
12/31/10	\$ 0	\$5,394,230	0%	\$5,394,230	N/A	N/A
12/31/13	\$ 0	\$6,904,580	0%	\$6,904,580	N/A	N/A

Note: Total pay is not applicable because only retired members are covered by the plan.

The fair market value of plan assets at December 31, 2015 is \$0.

Schedule of Employer Contributions:

Fiscal Year	Total Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2011	\$ 306,262	\$502,277	61.0%
2012	\$ 326,962	\$502,277	65.1%
2013	\$ 276,032	\$502,277	55.0%
2014	\$ 238,052	\$621,006	38.3%
2015	\$ 213,806	\$621,006	34.5%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Required Supplementary Information

City of Kelso
Schedule of Employer Contributions
Public Employees Retirement System Plan 1
As of December 31, 2015
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>
Statutorily required contributions	\$ 121,883
Contributions in relation to the statutorily required contributions	<u>(121,883)</u>
Contribution deficiency/(excess)	<u>\$ -</u>
Covered employer payroll	\$ 59,501
Contributions as a percentage of covered employee payroll	11.18%**

* Information not available prior to 2015

** Rate was 9.21% thru June 30, 2015 and increased to 11.18% for the remainder of the year

Required Supplementary Information

City of Kelso
Schedule of Employer Contributions
Public Employees Retirement System Plan 2/3
As of December 31, 2015
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>
Statutorily required contributions	\$ 148,675
Contributions in relation to the statutorily required contributions	<u>(148,675)</u>
Contribution deficiency/(excess)	<u>\$ -</u>
 Covered employer payroll	 \$ 2,593,780
 Contributions as a percentage of covered employee payroll	 11.18%**

* Information not available prior to 2015

** Rate was 9.21% thru June 30, 2015 and increased to 11.18% for the remainder of the year

Required Supplementary Information

City of Kelso
Schedule of Employer Contributions
Law Enforcement Officers and Fire Fighters Retirement Plan 1
As of December 31, 2015
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>
Statutorily required contributions	\$ -
Contributions in relation to the statutorily required contributions	-
Contribution deficiency/(excess)	<u>\$ -</u>
Covered employer payroll	\$ -
Contributions as a percentage of covered employee payroll	0%

* Information not available prior to 2015

Required Supplementary Information

City of Kelso
Schedule of Employer Contributions
Law Enforcement Officers and Fire Fighters Retirement Plan 2
As of December 31, 2015
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>
Statutorily required contributions	\$ 114,395
Contributions in relation to the statutorily required contributions	<u>(114,395)</u>
Contribution deficiency/(excess)	<u>\$ -</u>
 Covered employer payroll	 \$ 2,187,286
 Contributions as a percentage of covered employee payroll	 5.23%

* Information not available prior to 2015

Required Supplementary Information

City of Kelso
Schedule of Proportionate Share of the Net Pension Liability
Public Employees Retirement System Plan 1
As of June 30, 2015
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>
Employer's proportion of the net pension liability (asset)	0.023210%
Employer's proportionate share of the net pension liability	\$ 1,214,099
Employer's covered employee payroll	\$ 60,038
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	2022.22%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

* Information not available prior to 2015

Required Supplementary Information

City of Kelso
Schedule of Proportionate Share of the Net Pension Liability
Public Employees Retirement System Plan 2/3
As of June 30, 2015
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>
Employer's proportion of the net pension liability (asset)	0.028465%
Employer's proportionate share of the net pension liability	\$ 1,017,071
Employer's covered employee payroll	\$ 2,549,530
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	39.89%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

* Information not available prior to 2015

Required Supplementary Information

City of Kelso
Schedule of Proportionate Share of the Net Pension Liability
Law Enforcement officers and Fire Fighters Retirement Plan 1
As of June 30, 2015
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>
Employer's proportion of the net pension liability (asset)	0.042208%
Employer's proportionate share of the net pension liability (asset)	\$ (508,700)
Employer's covered employee payroll	\$ -
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.36%

* Information not available prior to 2015

Required Supplementary Information

City of Kelso
Schedule of Proportionate Share of the Net Pension Liability
Law Enforcement officers and Fire Fighters Retirement Plan 2
As of June 30, 2015
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>
Employer's proportion of the net pension liability (asset)	0.072194%
Employer's proportionate share of the net pension liability (asset)	\$ (742,010)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (490,624)
Employer's covered employee payroll	\$ 2,120,860
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	33.92%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.67%

* Information not available prior to 2015

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Paths & Trails Fund – this fund is used to account for the receipt of .5% of the State fuel taxes. Expenditures are restricted for City paths & trails.

Stadium Fund – this fund is used to account for the City's share of hotel-motel taxes which are used for the promotion of tourism and for the acquisition and/or operation of tourism related facilities.

Highlander Festival Fund – this fund is used to account for the revenues and expenditures associated with the City's annual festival.

Tam O'Shanter Park Fund – this fund is used to account for donated monies to be used for improvements at Tam O'Shanter Park.

The *HUD grant fund* accounts for the resources accumulated through Community Development Block Grants to implement neighborhood rehabilitation programs to assist low to moderate income property owners rehabilitate their properties.

Criminal Justice Fund – this fund is used to account for State-distributed money for criminal justice purposes only. This fund also accounts for revenues and expenditures associated with the City's drug task force.

Transportation Benefit District Fund – This fund also accounts for revenues and expenditures associated with the City's Transportation Benefit District.

Debt Service Funds

Non-Voted General Obligation Bond Fund – this fund is used to account for the debt service on Council approved general obligation bonds. The City Hall bonds are the only bonds outstanding.

Capital Projects Fund

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

City Hall Fund – this fund accounts for the receipt and expenditure of the restricted Real Estate Excise Tax distributed by the State to the City. These funds were used to construct a portion of the new city hall and to pay the future debt service on the new city hall.

City of Kelso
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015

	Special Revenue					
	Paths/ Trails	Stadium	Highlander Festival	Tam O'Shanter Park	HUD Block Grant	Criminal Justice
Assets						
Cash & cash equivalents	\$ 41,079	\$ 185,864	\$ 5,255	\$ 14,864	\$ 848,656	\$ 84,303
Investments	-	-	-	-	-	-
Receivables (net)						
Accounts	-	-	-	-	5,758	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	8,423
Advances to other funds	-	-	-	-	-	-
Long-term notes receivable	-	-	-	-	612,014	-
Total Assets	<u>41,079</u>	<u>185,864</u>	<u>5,255</u>	<u>14,864</u>	<u>1,466,428</u>	<u>92,726</u>
Liabilities						
Accounts payable	-	20,614	1,761	-	6,720	-
Unearned revenue	-	74,682	-	-	-	-
Total Liabilities	<u>-</u>	<u>95,296</u>	<u>1,761</u>	<u>-</u>	<u>6,720</u>	<u>-</u>
Fund Balances						
Restricted for:						
Street maintenance/construction	-	-	-	-	-	-
Paths and trails	41,079	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Promotion of tourism	-	90,568	-	-	-	-
Housing/neighborhood rehabilitation	-	-	-	-	1,054,703	-
Criminal justice	-	-	-	-	-	714
Parks	-	-	-	14,864	-	-
Assigned to:						
Debt service	-	-	-	-	-	-
Other purposes	-	-	3,494	-	405,005	92,012
Total Fund Balance	<u>41,079</u>	<u>90,568</u>	<u>3,494</u>	<u>14,864</u>	<u>1,459,708</u>	<u>92,726</u>
Total Liabilities and Fund Balances	<u>\$ 41,079</u>	<u>\$ 185,864</u>	<u>\$ 5,255</u>	<u>\$ 14,864</u>	<u>\$ 1,466,428</u>	<u>\$ 92,726</u>

City of Kelso
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015

	<u>Transportation Benefit District</u>	<u>Total Non-Major Special Revenue Funds</u>	<u>Debt Service Non Voted G.O. Bond</u>	<u>Capital projects City Hall Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets					
Cash & cash equivalents	\$ 242,014	\$ 1,422,035	\$ 555,071	\$ 127,972	\$ 2,105,078
Investments	-	-	797,816	-	797,816
Receivables (net)					
Accounts	-	5,758	-	-	5,758
Due from other funds	-	-	141,672	-	141,672
Due from other governments	-	8,423	-	-	8,423
Advances to other funds	-	-	110,509	-	110,509
Long-term notes receivable	-	612,014	-	-	612,014
Total Assets	<u>242,014</u>	<u>2,048,230</u>	<u>1,605,068</u>	<u>127,972</u>	<u>3,781,270</u>
Liabilities					
Accounts payable	-	29,095	425	-	29,520
Unearned revenue	-	74,682	-	-	74,682
Total Liabilities	<u>-</u>	<u>103,777</u>	<u>425</u>	<u>-</u>	<u>104,202</u>
Fund Balances					
Restricted for:					
Street maintenance/construction	242,014	242,014	-	-	242,014
Paths and trails	-	41,079	-	-	41,079
Capital projects	-	-	-	127,972	127,972
Promotion of tourism	-	90,568	-	-	90,568
Housing/neighborhood rehabilitation	-	1,054,703	-	-	1,054,703
Criminal justice	-	714	-	-	714
Parks	-	14,864	-	-	14,864
Assigned to:					
Debt service	-	-	1,604,643	-	1,604,643
Other purposes	-	500,511	-	-	500,511
Total Fund Balance	<u>242,014</u>	<u>1,944,453</u>	<u>1,604,643</u>	<u>127,972</u>	<u>3,677,068</u>
Total Liabilities and Fund Balances	<u>\$ 242,014</u>	<u>\$ 2,048,230</u>	<u>\$ 1,605,068</u>	<u>\$ 127,972</u>	<u>\$ 3,781,270</u>

City of Kelso
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended December 31, 2015

	Special Revenue					
	Paths and Trails	Stadium	Highlander Festival	Tam O'Shanter Park	Hud Block Grant	
Revenues						
Taxes	\$ -	\$ 171,958	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,260	-	-	-	-	179,768
Charges for services	-	-	7,436	-	-	-
Investment earnings	46	111	-	24	1,177	9
Contributions	-	7,800	-	-	-	-
Rental/lease income	-	10,920	-	-	-	-
Miscellaneous	-	-	10,846	-	5,830	-
Total revenues	<u>1,306</u>	<u>190,789</u>	<u>18,282</u>	<u>24</u>	<u>7,007</u>	<u>179,777</u>
Expenditures						
Security of persons and property	-	-	-	-	-	234,954
Transportation	-	-	-	-	-	-
Economic Environment	-	-	-	-	60,986	-
Culture and recreation	-	87,754	33,301	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>87,754</u>	<u>33,301</u>	<u>-</u>	<u>60,986</u>	<u>234,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,306</u>	<u>103,035</u>	<u>(15,019)</u>	<u>24</u>	<u>(53,979)</u>	<u>(55,177)</u>
Other financing sources (uses)						
Transfers in	-	-	15,000	-	-	65,000
Transfers out	-	(15,000)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(15,000)</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>65,000</u>
Net change in fund balances	1,306	88,035	(19)	24	(53,979)	9,823
Fund balances - beginning	39,773	2,533	3,513	14,840	1,513,687	82,903
Fund balances - ending	<u>\$ 41,079</u>	<u>\$ 90,568</u>	<u>\$ 3,494</u>	<u>\$ 14,864</u>	<u>\$ 1,459,708</u>	<u>\$ 92,726</u>

City of Kelso
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended December 31, 2015

	Transportation Benefit District	Total Non-Major Special Revenue Funds	Debt Service Non-Voted G.O. Bond	Capital Projects City Hall Fund	Total Non-Major Governmental Funds
	Revenues				
Taxes	\$ -	\$ 171,958	\$ -	\$ 125,789	\$ 297,747
Intergovernmental	-	181,028	-	-	181,028
Charges for services	168,573	176,009	-	-	176,009
Investment earnings	-	1,367	11,179	50	12,596
Contributions	-	7,800	-	-	7,800
Rental/lease income	-	10,920	-	-	10,920
Miscellaneous	-	16,676	14,673	-	31,349
Total revenues	<u>168,573</u>	<u>565,758</u>	<u>25,852</u>	<u>125,839</u>	<u>717,449</u>
Expenditures					
Security of persons and property	-	234,954	-	-	234,954
Transportation	140,938	140,938	-	-	140,938
Economic Environment	-	60,986	-	-	60,986
Culture and recreation	-	121,055	-	-	121,055
Debt service:					
Principal	-	-	140,000	-	140,000
Interest and fiscal charges	-	-	70,953	-	70,953
Total expenditures	<u>140,938</u>	<u>557,933</u>	<u>210,953</u>	<u>-</u>	<u>768,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,635</u>	<u>7,825</u>	<u>(185,101)</u>	<u>125,839</u>	<u>(51,437)</u>
Other financing sources (uses)					
Transfers in	-	80,000	195,155	-	275,155
Transfers out	-	(15,000)	-	(80,000)	(95,000)
Total other financing sources (uses)	<u>-</u>	<u>65,000</u>	<u>195,155</u>	<u>(80,000)</u>	<u>180,155</u>
Net change in fund balances	27,635	72,825	10,054	45,839	128,718
Fund balances - beginning	214,379	1,871,628	1,594,589	82,133	3,548,350
Fund balances - ending	<u>\$ 242,014</u>	<u>\$ 1,944,453</u>	<u>\$ 1,604,643</u>	<u>\$ 127,972</u>	<u>\$ 3,677,068</u>

City of Kelso
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 411,608	\$ 411,608	\$ 411,608	\$ -
Intergovernmental	240,000	240,000	252,179	12,179
Charges for services	-	-	2,811	2,811
Investment earnings	400	400	923	523
Contributions	-	20,000	20,000	-
Rental/lease income	19,909	19,909	20,075	166
Miscellaneous	-	-	9,736	9,736
Total revenues	<u>671,917</u>	<u>691,917</u>	<u>717,332</u>	<u>25,415</u>
Expenditures				
Transportation	680,917	745,917	575,627	170,290
Capital outlay	11,000	47,000	44,205	2,795
Total expenditures	<u>691,917</u>	<u>792,917</u>	<u>619,832</u>	<u>173,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(101,000)</u>	<u>97,500</u>	<u>198,500</u>
Other financing sources (uses)				
Transfers out	(100,000)	(100,000)	-	100,000
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
Net change in fund balances	<u>(120,000)</u>	<u>(201,000)</u>	<u>97,500</u>	<u>298,500</u>
Fund balances - beginning	398,048	398,048	398,048	-
Fund balances - ending	<u>\$ 278,048</u>	<u>\$ 197,048</u>	<u>\$ 495,548</u>	<u>\$ 298,500</u>

City of Kelso
Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 430,560	\$ 430,560	\$ 430,560	\$ -
Charges for services	5,600	5,600	6,971	1,371
Fines	4,600	4,600	4,282	(318)
Investment earnings	36	36	47	11
Miscellaneous	105	105	32	(73)
Total revenues	440,901	440,901	441,892	991
Expenditures				
Culture and recreation	430,901	479,901	468,346	11,555
Capital outlay	35,000	35,000	34,483	517
Total expenditures	465,901	514,901	502,829	12,072
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(74,000)	(60,937)	13,063
Net change in fund balances	(25,000)	(74,000)	(60,937)	13,063
Fund balances - beginning	78,647	78,647	78,647	-
Fund balances - ending	\$ 53,647	\$ 4,647	\$ 17,710	\$ 13,063

City of Kelso
Kelso Station Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 12	\$ 12
Rental/lease income	29,200	29,200	29,849	649
Miscellaneous	-	-	319	319
Total revenues	29,200	29,200	30,180	980
Expenditures				
Transportation	47,180	53,180	50,023	3,157
Total expenditures	47,180	53,180	50,023	3,157
Excess (deficiency) of revenues over (under) expenditures	(17,980)	(23,980)	(19,843)	4,137
Other financing sources (uses)				
Transfers in	17,980	17,980	17,980	-
Total other financing sources (uses)	17,980	17,980	17,980	-
Net change in fund balances	-	(6,000)	(1,863)	4,137
Fund balances - beginning	13,816	13,816	13,816	-
Fund balances - ending	\$ 13,816	\$ 7,816	\$ 11,953	\$ 4,137

City of Kelso
Parks and Recreation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 203,660	\$ 203,660	\$ 203,660	\$ -
Charges for services	4,000	4,000	4,000	-
Investment earnings	100	100	11	(89)
Rental/lease income	42,600	42,600	44,345	1,745
Miscellaneous	-	-	13,257	13,257
Total revenues	250,360	250,360	265,273	14,913
Expenditures				
Culture and recreation	233,841	233,841	242,435	(8,594)
Capital outlay	30,400	30,400	-	30,400
Total expenditures	264,241	264,241	242,435	21,806
Excess (deficiency) of revenues over (under) expenditures	(13,881)	(13,881)	22,838	36,719
Other financing sources (uses)				
Transfers in	14,900	14,900	-	(14,900)
Total other financing sources (uses)	14,900	14,900	-	(14,900)
Net change in fund balances	1,019	1,019	22,838	21,819
Fund balances - beginning	33,475	33,475	33,475	-
Fund balances - ending	\$ 34,494	\$ 34,494	\$ 56,313	\$ 21,819

City of Kelso
Façade Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 1	\$ 1
Total revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Expenditures				
Culture and recreation	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>1</u>	<u>10,001</u>
Other financing sources (uses)				
Transfers in	10,000	10,000	-	(10,000)
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balances	-	-	1	1
Fund balances - beginning	445	445	445	-
Fund balances - ending	<u>\$ 445</u>	<u>\$ 445</u>	<u>\$ 446</u>	<u>\$ 1</u>

City of Kelso
Paths and Trails Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,200	\$ 1,200	\$ 1,260	\$ 60
Investment earnings	-	-	46	46
Total revenues	1,200	1,200	1,306	106
Expenditures				
Capital projects	45,000	45,000	-	45,000
Total expenditures	45,000	45,000	-	45,000
Excess (deficiency) of revenues over (under) expenditures	(43,800)	(43,800)	1,306	45,106
Net change in fund balances	(43,800)	(43,800)	1,306	45,106
Fund balances - beginning	39,773	39,773	39,773	-
Fund balances - ending	\$ (4,027)	\$ (4,027)	\$ 41,079	\$ 45,106

City of Kelso
Stadium Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 138,000	\$ 138,000	\$ 171,958	\$ 33,958
Intergovernmental	-	8,100	-	(8,100)
Investment earnings	450	450	111	(339)
Rental/lease income	10,920	10,920	10,920	-
Contributions	-	-	7,800	7,800
Miscellaneous	100	100	-	(100)
Total revenues	<u>149,470</u>	<u>157,570</u>	<u>190,789</u>	<u>33,219</u>
Expenditures				
Culture and recreation	103,440	104,552	87,754	16,798
Total expenditures	<u>103,440</u>	<u>104,552</u>	<u>87,754</u>	<u>16,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>46,030</u>	<u>53,018</u>	<u>103,035</u>	<u>50,017</u>
Other financing sources (uses)				
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balances	31,030	38,018	88,035	50,017
Fund balances - beginning	2,533	2,533	2,533	-
Fund balances - ending	<u>\$ 33,563</u>	<u>\$ 40,551</u>	<u>\$ 90,568</u>	<u>\$ 50,017</u>

City of Kelso
Highlander Festival Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 32,300	\$ 32,300	\$ 7,436	\$ (24,864)
Miscellaneous	13,600	13,600	10,846	(2,754)
Total revenues	45,900	45,900	18,282	(27,618)
Expenditures				
Culture and recreation	60,900	60,900	33,301	27,599
Total expenditures	60,900	60,900	33,301	27,599
Excess (deficiency) of revenues over (under) expenditures	(15,000)	(15,000)	(15,019)	(19)
Other financing sources (uses)				
Transfers in	15,000	15,000	15,000	-
Total other financing sources (uses)	15,000	15,000	15,000	-
Net change in fund balances	-	-	(19)	(19)
Fund balances - beginning	3,513	3,513	3,513	-
Fund balances - ending	\$ 3,513	\$ 3,513	\$ 3,494	\$ (19)

City of Kelso
Tam O'Shanter Park Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 24	\$ 24
Total revenues	<u>-</u>	<u>-</u>	<u>24</u>	<u>24</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>24</u>	<u>24</u>
Other financing sources (uses)				
Transfers out	(14,900)	(14,900)	-	14,900
Total other financing sources (uses)	<u>(14,900)</u>	<u>(14,900)</u>	<u>-</u>	<u>14,900</u>
Net change in fund balances	(14,900)	(14,900)	24	14,924
Fund balances - beginning	14,840	14,840	14,840	-
Fund balances - ending	<u>\$ (60)</u>	<u>\$ (60)</u>	<u>\$ 14,864</u>	<u>\$ 14,924</u>

City of Kelso
HUD Block Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Investment earnings	\$ 500	\$ 500	\$ 1,177	\$ 677
Miscellaneous	-	-	5,830	5,830
Total revenues	500	500	7,007	6,507
Expenditures				
Economic Environment:				
Neighborhood stabilization	150,000	160,000	60,914	99,086
Housing rehabilitation	-	-	72	(72)
Total expenditures	150,000	160,000	60,986	99,014
Excess (deficiency) of revenues over (under) expenditures	(149,500)	(159,500)	(53,979)	105,521
Other financing sources (uses)				
Transfers out	(310,000)	(310,000)	-	310,000
Total other financing sources (uses)	(310,000)	(310,000)	-	310,000
Net change in fund balances	(459,500)	(469,500)	(53,979)	415,521
Fund balances - beginning	1,513,687	1,513,687	1,513,687	-
Fund balances - ending	\$ 1,054,187	\$ 1,044,187	\$ 1,459,708	\$ 415,521

City of Kelso
Criminal Justice Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 189,400	\$ 189,400	\$ 179,768	\$ (9,632)
Investment earnings	-	-	9	9
Total revenues	<u>189,400</u>	<u>189,400</u>	<u>179,777</u>	<u>(9,623)</u>
Expenditures				
Security of persons and property	<u>257,550</u>	<u>257,550</u>	<u>234,954</u>	<u>22,596</u>
Total expenditures	<u>257,550</u>	<u>257,550</u>	<u>234,954</u>	<u>22,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,150)</u>	<u>(68,150)</u>	<u>(55,177)</u>	<u>12,973</u>
Other financing sources (uses)				
Transfers in	<u>65,150</u>	<u>65,150</u>	<u>65,000</u>	<u>(150)</u>
Total other financing sources (uses)	<u>65,150</u>	<u>65,150</u>	<u>65,000</u>	<u>(150)</u>
Net change in fund balances	<u>(3,000)</u>	<u>(3,000)</u>	<u>9,823</u>	<u>12,823</u>
Fund balances - beginning	<u>82,903</u>	<u>82,903</u>	<u>82,903</u>	<u>-</u>
Fund balances - ending	<u>\$ 79,903</u>	<u>\$ 79,903</u>	<u>\$ 92,726</u>	<u>\$ 12,823</u>

City of Kelso
Transportation Benefit District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 175,000	\$ 175,000	\$ 168,573	\$ (6,427)
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>168,573</u>	<u>(6,427)</u>
Expenditures				
Transportation	246,000	246,000	140,938	105,062
Total expenditures	<u>246,000</u>	<u>246,000</u>	<u>140,938</u>	<u>105,062</u>
Excess (deficiency) of revenues over (under) expenditures	(71,000)	(71,000)	27,635	98,635
Net change in fund balances	<u>(71,000)</u>	<u>(71,000)</u>	<u>27,635</u>	<u>98,635</u>
Fund balances - beginning	214,379	214,379	214,379	-
Fund balances - ending	<u>\$ 143,379</u>	<u>\$ 143,379</u>	<u>\$ 242,014</u>	<u>\$ 98,635</u>

City of Kelso
Non-Voted G.O. Bond Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the fiscal year ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 1,300	\$ 1,300	\$ 11,179	\$ 9,879
Miscellaneous	14,673	14,673	14,673	-
Total revenues	<u>15,973</u>	<u>15,973</u>	<u>25,852</u>	<u>9,879</u>
Expenditures				
Debt service:				
Principal	140,000	140,000	140,000	-
Interest	71,128	71,128	70,953	175
Total expenditures	<u>211,128</u>	<u>211,128</u>	<u>210,953</u>	<u>175</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(195,155)</u>	<u>(195,155)</u>	<u>(185,101)</u>	<u>10,054</u>
Other financing sources (uses)				
Transfers in/(out)	195,155	195,155	195,155	-
Total other financing sources (uses)	<u>195,155</u>	<u>195,155</u>	<u>195,155</u>	<u>-</u>
Net change in fund balances	-	-	10,054	10,054
Fund balances - beginning	1,594,589	1,594,589	1,594,589	-
Fund balances - ending	<u>\$ 1,594,589</u>	<u>\$ 1,594,589</u>	<u>\$ 1,604,643</u>	<u>\$ 10,054</u>

City of Kelso
City Hall Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 60,000	\$ 60,000	\$ 125,789	\$ 65,789
Investment earnings	-	-	50	50
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>125,839</u>	<u>65,839</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,000</u>	<u>60,000</u>	<u>125,839</u>	<u>65,839</u>
Other financing sources (uses)				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Net change in fund balances	<u>(20,000)</u>	<u>(20,000)</u>	<u>45,839</u>	<u>65,839</u>
Fund balances - beginning	<u>82,133</u>	<u>82,133</u>	<u>82,133</u>	<u>-</u>
Fund balances - ending	<u>\$ 62,133</u>	<u>\$ 62,133</u>	<u>\$ 127,972</u>	<u>\$ 65,839</u>

Fiduciary Funds

Agency Fund

Agency funds are used to account for short-term custodial collections of resources on behalf of another individual, entity, or government.

Southwest Washington Regional Airport Fund – this fund is a separate entity jointly operated by various entities in Cowlitz County, Washington. The purpose of this agency is to participate jointly in the funding and decision-making for the operation, repair, improvement and regulation of the Southwest Washington Regional Airport and to assure the continued operation of the Airport for the benefit of all. The City acts as the treasurer for this agency. In addition, the City of Kelso has been contracted to maintain the financial records and reports as required by the laws of the State of Washington.

City of Kelso
Airport Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year ended December 31, 2015

	<u>Balance</u> <u>December 31, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2015</u>
Assets				
Cash & cash equivalents	\$ 486,739	\$ 529,470	\$ 595,812	\$ 420,397
Receivables	26,848	725,758	629,650	122,956
Total Assets	<u>\$ 513,587</u>	<u>\$ 1,255,228</u>	<u>\$ 1,225,462</u>	<u>\$ 543,353</u>
Liabilities				
Accounts payable	\$ 46,765	\$ 602,112	\$ 508,524	\$ 140,353
Custodial accounts	466,822	653,116	716,938	403,000
Total Liabilities	<u>\$ 513,587</u>	<u>\$ 1,255,228</u>	<u>\$ 1,225,462</u>	<u>\$ 543,353</u>

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STATISTICAL SECTION

This part of the City of Kelso's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	121
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	128
<i>These schedules contain trend information to help the reader assess some of the City's most significant local revenue sources, various taxes.</i>	
Debt Capacity	133
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic	138
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place</i>	
Operating Information	141
<i>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.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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City of Kelso
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 27,053	\$ 47,636	\$ 47,405	\$ 47,642	\$ 48,034	\$ 47,753	\$ 48,199	\$ 54,754	\$ 57,203	\$ 56,455
Restricted	1,169	1,181	1,015	845	1,302	1,349	1,442	1,491	1,616	1,664
Unrestricted	3,067	4,231	4,480	4,021	2,801	2,936	4,494	4,342	4,481	4,680
Total governmental activities net position	<u>\$ 31,289</u>	<u>\$ 53,048</u>	<u>\$ 52,900</u>	<u>\$ 52,508</u>	<u>\$ 52,137</u>	<u>\$ 52,038</u>	<u>\$ 54,135</u>	<u>\$ 60,587</u>	<u>\$ 63,300</u>	<u>\$ 62,799</u>
Business-type activities										
Net investment in capital assets	\$ 18,750	\$ 19,488	\$ 19,499	\$ 20,013	\$ 20,893	\$ 20,809	\$ 21,989	\$ 19,683	\$ 20,307	\$ 21,087
Restricted	534	563	201	202	591	592	593	595	597	603
Unrestricted	3,698	4,402	5,787	5,747	5,119	6,216	7,128	7,219	7,957	7,224
Total business-type activities net position	<u>\$ 22,982</u>	<u>\$ 24,453</u>	<u>\$ 25,487</u>	<u>\$ 25,962</u>	<u>\$ 26,603</u>	<u>\$ 27,617</u>	<u>\$ 29,710</u>	<u>\$ 27,497</u>	<u>\$ 28,861</u>	<u>\$ 28,914</u>
Primary government										
Net investment in capital assets	\$ 45,803	\$ 67,124	\$ 66,904	\$ 67,655	\$ 68,927	\$ 68,562	\$ 70,188	\$ 74,437	\$ 77,510	\$ 77,542
Restricted	1,703	1,744	1,216	1,047	1,893	1,941	2,035	2,086	2,213	2,267
Unrestricted	6,765	8,633	10,267	9,768	7,920	9,152	11,622	11,561	12,438	11,904
Total primary government net position	<u>\$ 54,271</u>	<u>\$ 77,501</u>	<u>\$ 78,387</u>	<u>\$ 78,470</u>	<u>\$ 78,740</u>	<u>\$ 79,655</u>	<u>\$ 83,845</u>	<u>\$ 88,084</u>	<u>\$ 92,161</u>	<u>\$ 91,713</u>

City of Kelso
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

Expenses	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	\$ 1,512	\$ 1,645	\$ 1,560	\$ 1,503	\$ 1,501	\$ 1,453	\$ 1,312	\$ 1,401	\$ 1,525	\$ 1,713
Security of persons and property	4,136	4,388	4,808	4,939	5,031	4,543	4,533	4,562	4,609	4,608
Physical environment	321	603	598	430	441	422	431	375	391	249
Transportation	835	1,652	1,695	1,747	1,783	1,703	1,722	2,180	2,323	2,654
Economic environment	365	849	493	442	695	396	590	754	308	374
Culture and recreation	921	1,095	1,192	993	1,091	1,054	1,066	985	1,121	1,107
Interest on long-term debt	143	137	136	135	140	173	117	114	122	109
Total governmental activities expenses	<u>8,233</u>	<u>10,369</u>	<u>10,482</u>	<u>10,189</u>	<u>10,682</u>	<u>9,744</u>	<u>9,771</u>	<u>10,371</u>	<u>10,399</u>	<u>10,814</u>
Business-type activities:										
Water/Sewer	5,753	6,045	5,912	6,889	6,634	6,578	6,610	7,079	7,186	7,645
Solid waste	1,085	1,099	1,087	1,091	1,247	1,235	1,294	1,317	1,457	1,481
Storm water	283	295	417	464	456	580	571	547	556	715
Airport	290	224	348	423	357	360	422	-	-	-
Total business-type activities expenses	<u>7,411</u>	<u>7,663</u>	<u>7,764</u>	<u>8,867</u>	<u>8,694</u>	<u>8,773</u>	<u>8,897</u>	<u>8,943</u>	<u>9,199</u>	<u>9,841</u>
Total primary government expenses	<u>\$ 15,644</u>	<u>\$ 18,032</u>	<u>\$ 18,246</u>	<u>\$ 19,056</u>	<u>\$ 19,376</u>	<u>\$ 18,517</u>	<u>\$ 18,668</u>	<u>\$ 19,314</u>	<u>\$ 19,598</u>	<u>\$ 20,655</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 85	\$ 82	\$ 63	\$ 60	\$ 62	\$ 97	\$ 91	\$ 209	\$ 90	\$ 119
Security of persons and property	212	170	213	370	185	233	192	151	360	279
Physical environment	8	49	70	13	48	11	6	17	18	34
Transportation	52	34	119	75	191	210	231	298	532	655
Economic environment	262	263	224	119	119	127	127	147	163	76
Culture and recreation	63	56	71	56	76	104	100	80	140	94
Operating grants and contributions	588	908	492	585	691	624	894	848	172	317
Capital grants and contributions	2,958	113	596	1,262	867	822	1,455	4,895	3,525	663
Total governmental activities program revenues	<u>4,228</u>	<u>1,675</u>	<u>1,848</u>	<u>2,540</u>	<u>2,239</u>	<u>2,228</u>	<u>3,096</u>	<u>6,645</u>	<u>5,000</u>	<u>2,237</u>
Business-type activities:										
Charges for services:										
Water/Sewer	5,804	6,425	6,781	7,182	7,320	7,635	7,621	7,883	8,358	8,868
Solid waste	1,115	1,110	1,174	1,110	1,131	1,142	1,145	1,194	1,382	1,427
Storm water	249	254	267	446	559	623	579	591	623	714
Airport	109	109	118	125	131	138	126	-	-	-
Operating grants and contributions	112	72	227	256	129	238	193	19	75	7
Capital grants and contributions	610	849	75	163	10	-	457	2	112	-
Total business-type activities program revenues	<u>7,999</u>	<u>8,819</u>	<u>8,642</u>	<u>9,282</u>	<u>9,280</u>	<u>9,776</u>	<u>10,121</u>	<u>9,689</u>	<u>10,550</u>	<u>11,016</u>
Total primary government program revenues	<u>\$ 12,227</u>	<u>\$ 10,494</u>	<u>\$ 10,490</u>	<u>\$ 11,822</u>	<u>\$ 11,519</u>	<u>\$ 12,004</u>	<u>\$ 13,217</u>	<u>\$ 16,334</u>	<u>\$ 15,550</u>	<u>\$ 13,253</u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (expense)/revenue										
Governmental activities	\$ (4,005)	\$ (8,694)	\$ (8,634)	\$ (7,649)	\$ (8,443)	\$ (7,516)	\$ (6,675)	\$ (3,726)	\$ (5,399)	\$ (8,577)
Business-type activities	588	1,156	878	415	586	1,003	1,224	746	1,351	1,175
Total primary government net expense	<u>\$ (3,417)</u>	<u>\$ (7,538)</u>	<u>\$ (7,756)</u>	<u>\$ (7,234)</u>	<u>\$ (7,857)</u>	<u>\$ (6,513)</u>	<u>\$ (5,451)</u>	<u>\$ (2,980)</u>	<u>\$ (4,048)</u>	<u>\$ (7,402)</u>
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 1,081	\$ 1,018	\$ 1,007	\$ 1,146	\$ 1,139	\$ 1,159	\$ 1,175	\$ 1,191	\$ 1,206	\$ 1,243
Sales taxes	2,281	2,439	2,343	2,014	2,150	2,154	2,103	2,141	2,410	2,546
Utility taxes	2,323	2,426	2,487	2,534	2,542	2,611	2,827	2,748	2,809	3,099
Business taxes	679	716	722	659	671	713	755	772	821	875
Excise taxes	427	387	215	156	117	111	86	79	107	157
Penalties & interest	7	5	5	5	5	4	5	3	5	4
State entitlements	549	597	635	638	640	572	573	692	624	653
Investment earnings	212	286	177	65	50	68	64	29	37	55
Miscellaneous	5	67	29	60	12	21	26	66	93	68
Gain/(loss) on sale of capital assets	46	716	885	-	-	-	-	-	-	1
Special items	-	-	-	-	-	-	-	2,513	-	-
Transfers	(22)	(111)	(19)	(20)	(20)	4	(40)	(56)	-	-
Total governmental activities	<u>7,588</u>	<u>8,546</u>	<u>8,486</u>	<u>7,257</u>	<u>7,306</u>	<u>7,417</u>	<u>7,574</u>	<u>10,178</u>	<u>8,112</u>	<u>8,701</u>
Business-type activities:										
Investment earnings	165	203	137	39	15	15	11	11	13	18
Miscellaneous	-	-	-	-	20	-	-	-	-	4
Gain/(loss) on sale of capital assets	(21)	-	1	-	-	-	-	-	-	-
Special items	-	-	-	-	-	-	-	(3,026)	-	-
Transfers	22	111	19	20	20	(4)	40	56	-	-
Total business-type activities	<u>166</u>	<u>314</u>	<u>157</u>	<u>59</u>	<u>55</u>	<u>11</u>	<u>51</u>	<u>(2,959)</u>	<u>13</u>	<u>22</u>
Total primary government	<u>\$ 7,754</u>	<u>\$ 8,860</u>	<u>\$ 8,643</u>	<u>\$ 7,316</u>	<u>\$ 7,361</u>	<u>\$ 7,428</u>	<u>\$ 7,625</u>	<u>\$ 7,219</u>	<u>\$ 8,125</u>	<u>\$ 8,723</u>
Change in Net Position										
Governmental activities	\$ 3,583	\$ (148)	\$ (148)	\$ (392)	\$ (1,137)	\$ (99)	\$ 899	\$ 6,452	\$ 2,713	\$ 124
Business-type activities	754	1,470	1,035	474	641	1,014	1,275	(2,213)	1,364	1,197
Total primary government	<u>\$ 4,337</u>	<u>\$ 1,322</u>	<u>\$ 887</u>	<u>\$ 82</u>	<u>\$ (496)</u>	<u>\$ 915</u>	<u>\$ 2,174</u>	<u>\$ 4,239</u>	<u>\$ 4,077</u>	<u>\$ 1,321</u>

City of Kelso
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Utility Taxes	Business Taxes	Excise Taxes
2006	\$ 1,081	\$ 2,281	\$ 2,323	\$ 679	\$ 427
2007	1,018	2,439	2,426	716	387
2008	1,007	2,343	2,487	722	214
2009	1,146	2,014	2,534	659	156
2010	1,139	2,150	2,542	671	117
2011	1,159	2,154	2,611	713	111
2012	1,175	2,103	2,827	755	86
2013	1,191	2,141	2,748	772	79
2014	1,206	2,410	2,809	821	107
2015	1,243	2,546	3,099	875	157

City of Kelso
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund (Per GASB 54)*										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	54	93	171	100	92
Committed	-	-	-	-	-	178	213	242	-	-
Assigned	-	-	-	-	-	202	-	-	212	242
Unassigned	-	-	-	-	-	1,197	3,063	3,097	3,828	4,564
General fund (Prior to GASB 54)*										
Reserved	185	51	243	200	155	-	-	-	-	-
Unreserved	1,528	3,175	3,587	1,491**	1,022	-	-	-	-	-
Total general fund	<u>\$ 1,713</u>	<u>\$ 3,226</u>	<u>\$ 3,830</u>	<u>\$ 1,691</u>	<u>\$ 1,177</u>	<u>\$ 1,686</u>	<u>\$ 3,369</u>	<u>\$ 3,510</u>	<u>\$ 4,140</u>	<u>\$ 4,898</u>
All other governmental funds (Per GASB 54)*										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 953	\$ 829	\$ 647	\$ -	\$ -
Restricted	-	-	-	-	-	1,295	1,350	1,321	1,516	1,572
Assigned	-	-	-	-	-	1,078	1,215	1,350	2,032	2,105
Unassigned	-	-	-	-	-	(744)	(504)	(1,227)	(304)	(428)
All other governmental funds (Prior to GASB 54)*										
Reserved	987	1,130	837	811	155	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	832	705	773	802	379***	-	-	-	-	-
Debt service funds	-	-	-	1,605**	1,597	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,819</u>	<u>\$ 1,835</u>	<u>\$ 1,610</u>	<u>\$ 3,218</u>	<u>\$ 2,131</u>	<u>\$ 2,582</u>	<u>\$ 2,890</u>	<u>\$ 2,091</u>	<u>\$ 3,244</u>	<u>\$ 3,249</u>

* In 2011 the City Adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Amounts previously reported as reserved and unreserved are now reported as nondisposable, restricted, committed, assigned, or unassigned. Additionally, as required by GASB 54, the City reclassified certain funds within the governmental fund types for reporting purposes for fiscal year 2011.

** In 2009 city council designated certain proceeds from the sale of City property for the retirement of the 2003 G.O. Bond.

***This decrease is due to accounting for an interfund loan (\$900) in the arterial street fund while the fixed assets constructed with the loan proceeds were not recorded.

City of Kelso
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 6,818	\$ 6,988	\$ 6,802	\$ 6,506	\$ 6,607	\$ 6,745	\$ 6,955	\$ 6,940	\$ 7,361	\$ 7,928
Licenses and permits	325	290	229	159	138	200	195	212	203	131
Intergovernmental	2,370	1,540	1,063	2,341	2,199	1,653	3,066	5,415	5,588	1,361
Charges for services	621	625	616	747	988	824	879	963	1,008	1,268
Fines	139	163	131	127	164	190	140	130	119	106
Investment earnings	192	262	165	61	49	69	64	29	37	55
Contributions	7	15	14	48	1	-	-	-	-	55
Rental/lease income	40	38	56	59	53	61	86	90	104	105
Miscellaneous	154	140	91	159	37	36	38	78	110	84
Total revenues	10,666	10,061	9,167	10,207	10,236	9,778	11,423	13,857	14,530	11,093
Expenditures										
General government	1,571	1,808	1,712	1,746	1,812	1,726	1,619	1,659	1,730	1,953
Security of persons and property	4,091	4,297	4,428	4,614	4,700	4,299	4,297	4,340	4,271	4,386
Physical environment	492	650	667	635	647	548	571	494	439	437
Transportation	676	701	734	657	605	495	479	742	851	928
Economic environment	372	839	491	441	709	398	585	752	313	381
Culture and recreation	697	764	844	717	758	774	781	709	842	827
Capital outlay	2,757	519	759	1,646	2,005	1,355	1,999	5,497	3,883	1,192
Debt service										
Principal	103	23	123	128	128	133	148	158	317	140
Interest	142	135	134	133	138	224	111	108	101	86
Total expenditures	10,901	9,736	9,892	10,717	11,502	9,952	10,590	14,459	12,747	10,330
Excess of revenues over (under) expenditures	(235)	325	(725)	(510)	(1,266)	(174)	833	(602)	1,783	763

Other financing sources (uses)

Transfers in	243	279	675	2,019	258	489	497	573	579	543
Transfers out	(411)	(503)	(694)	(2,039)	(278)	(485)	(537)	(628)	(579)	(543)
Bonds issued	-	-	-	-	-	2,710	-	-	-	-
Bonds refunded	-	-	-	-	-	(2,660)	-	-	-	-
Sale of capital assets	46	1,427	1,123	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(122)</u>	<u>1,203</u>	<u>1,104</u>	<u>(20)</u>	<u>(20)</u>	<u>54</u>	<u>(40)</u>	<u>(55)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (357)</u>	<u>\$ 1,528</u>	<u>\$ 379</u>	<u>\$ (530)</u>	<u>\$ (1,286)</u>	<u>\$ (120)</u>	<u>\$ 793</u>	<u>\$ (657)</u>	<u>\$ 1,783</u>	<u>\$ 763</u>
Debt service as a percentage of noncapital expenditures*	3.01%	1.71%	2.81%	2.88%	2.80%	4.15%	3.01%	2.97%	4.72%	2.47%

* This ratio was calculated by dividing the debt service (principal and interest) by the non-capital expenditures.
Non-capital expenditures were calculated by subtracting capital outlay from total expenditures.

City of Kelso
General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Utility Taxes	Business Taxes	Other Taxes	Total
2006	\$ 1,101	\$ 2,281	\$ 2,323	\$ 679	\$ 434	\$ 6,818
2007	1,015	2,439	2,426	716	392	6,988
2008	1,030	2,343	2,487	722	220	6,802
2009	1,138	2,014	2,534	659	161	6,506
2010	1,121	2,150	2,542	671	123	6,607
2011	1,152	2,154	2,611	713	115	6,745
2012	1,178	2,103	2,827	755	92	6,955
2013	1,197	2,141	2,748	772	82	6,940
2014	1,209	2,410	2,809	821	112	7,361
2015	1,247	2,546	3,099	875	161	7,928

City of Kelso
Assessed Value and Estimated Actual Value of Taxable Property
(amounts expressed in thousands)

Fiscal Year	Utilities	Commercial Property ¹	Residential Property ¹	Industrial Property ¹	Real Property		Direct Tax Rate	Ratio of Assessed Value To Estimated Actual Value ²
					Total Assessed Value ¹	Estimated Value		
2006	\$ -	\$ -	\$ -	\$ -	\$ 564,395	\$ 672,700	2.1496%	83.9%
2007	-	-	-	-	606,625	770,807	1.9095%	78.7%
2008	-	-	-	-	648,929	775,303	1.8219%	83.7%
2009	-	-	-	-	727,939	830,033	1.8102%	87.7%
2010	-	-	-	-	728,204	812,728	1.7985%	89.6%
2011	-	-	-	-	753,399	817,136	1.7643%	92.2%
2012	-	-	-	-	743,257	793,231	1.8131%	93.7%
2013	-	-	-	-	680,264	707,871	2.0116%	96.1%
2014	13,832	306,405	320,779	37,021	678,037	723,625	2.0557%	93.7%
2015	14,080	311,906	326,538	37,685	690,210	723,491	2.0467%	95.4%

¹ Cowlitz County Assessor's Office

² Department of Revenue - Property Tax Division

Note - personal property information is not currently available. Certain other information was not available prior to 2014.

City of Kelso
Property Tax Rates
Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	City Regular	City Debt	Total City	School District	Port of Longview	Cowlitz County	State of Washington	Cowlitz 2 Fire District	Total
2006	\$ 2.0127	\$ 0.1369	\$ 2.1496	\$ 5.5473	\$ 0.4509	\$ 1.8714	\$ 2.5686	\$ 1.6551	\$ 14.2429
2007	1.9095	-	1.9095	5.2332	0.4503	1.7564	2.3887	1.5608	13.2989
2008	1.8219	-	1.8219	4.9324	0.4143	1.6756	2.2277	1.5000	12.5719
2009	1.8102	-	1.8102	4.3766	0.4037	1.6629	2.0593	1.4044	11.7171
2010	1.7985	-	1.7985	4.4339	0.3906	1.6904	2.1058	1.4643	11.8835
2011	1.7643	-	1.7643	5.1213	0.3933	1.7304	2.2954	1.5000	12.8047
2012	1.8131	-	1.8131	5.1967	0.2192	1.8647	2.3733	1.5000	12.9670
2013	2.0116	-	2.0116	5.7004	0.2164	1.9408	2.4478	1.5000	13.8170
2014	2.0557	-	2.0557	5.6506	0.4500	2.0423	2.3356	1.5000	14.0342
2015	2.0467	-	2.0467	5.6186	0.4500	2.1404	2.2824	1.5000	14.0381

Diking and Mosquito Districts are not included
Source: Cowlitz County Assessor's Office

**City of Kelso
Principal Property Taxpayers
December 31, 2015
(amounts expressed in thousands)**

Taxpayer	2015			2006		
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Rank	Assessed Valuation	Percentage of Total Assessed Valuation
Foster Farms Poultry	1	\$ 29,040	4.18%	1	\$ 36,009	5.94%
Three Rivers Mall LLC	2	28,455	2.87%	2	28,332	4.67%
Mario Segale	3	14,664	2.12%			
Burlington Northern Santa Fe	4	14,206	1.89%	6	6,703	1.10%
Safeway Inc.	5	10,536	1.49%	4	7,662	1.26%
C & C Logging	6	9,717	1.17%			
ALS Group USA	7	7,666	1.08%			
SW Paper Inc.	8	7,316	1.17%	3	7,703	1.27%
Allen Street Investments	9	6,937	1.01%	7	5,475	0.90%
Storedahl Enterprises LLC	10	6,921	1.01%			
Dayton Hudson				5	7,406	1.22%
Brookhollow partners LP				8	4,963	0.82%
Riverway Plaza				9	4,552	0.75%
Kelso Elks 1482				10	3,983	0.66%
		<u>\$ 135,458</u>	<u>17.99%</u>		<u>\$ 112,788</u>	<u>18.59%</u>

Source: Cowlitz County Assessor's Office

**City of Kelso
Principal Utility Taxpayers
December 31, 2015**

Utility Tax Type	2015			2006		
	Rank	Tax	Percentage of Tax to Total	Rank	Tax	Percentage of Tax to Total
Electricity*	1	\$ 674,179	21.76%	1	\$ 552,447	23.78%
Sewer*	2	503,487	16.25%	2	285,643	12.30%
Water*	3	362,387	11.70%	4	172,488	7.43%
Garbage*	4	141,496	4.57%	7	88,585	3.81%
Cell Phone**	5	123,372	3.98%	3	194,278	8.36%
Cable Television*	6	120,098	3.88%	8	68,288	2.94%
Telephone**	7	108,188	3.49%	6	136,392	5.87%
Natural Gas*	8	61,671	1.99%	5	141,484	6.09%
		<u>2,094,878</u>	<u>67.61%</u>		<u>1,639,605</u>	<u>70.59%</u>

* Taxes paid by single utility provider

**Taxes paid by multiple providers

Source: City of Kelso

City of Kelso
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Collections in Subsequent Years</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
2006	\$ 1,135,972	\$ 1,078,134	94.9%	\$ 57,440	\$ 1,135,574	100.0%	398	0.0%
2007	1,158,144	1,098,560	94.9%	59,584	1,158,144	100.0%	-	0.0%
2008	1,182,285	1,136,819	96.2%	45,322	1,182,141	100.0%	144	0.0%
2009	1,316,848	1,254,188	95.2%	62,543	1,316,731	100.0%	117	0.0%
2010	1,309,655	1,242,802	94.9%	66,499	1,309,301	100.0%	354	0.0%
2011	1,329,252	1,262,544	95.0%	66,331	1,328,875	100.0%	377	0.0%
2012	1,347,579	1,285,794	95.4%	60,359	1,346,153	99.9%	1,426	0.1%
2013	1,368,390	1,309,790	95.7%	45,784	1,355,574	99.1%	12,816	0.9%
2014	1,393,874	1,335,634	95.8%	33,774	1,369,408	98.2%	24,466	1.8%
2015	1,412,682	1,361,171	96.4%	-	1,361,171	96.4%	51,511	3.6%

Basis for property tax rates is per \$1,000 of assessed valuation
Source: Cowlitz County Assessor's Office

City of Kelso
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita ²
	General Obligation Bonds	Miscellaneous Notes	Capital Leases	Water/Sewer Revenue Bonds	Miscellaneous Notes			
2006	\$ 3,080	\$ 341	\$ -	\$ 1,400	\$ 2,997	\$ 7,818	2.34%	\$ 660
2007	3,080	318	-	1,230	2,735	7,363	2.05%	622
2008	2,980	295	-	915	2,524	6,714	1.78%	564
2009	2,875	273	-	840	2,322	6,310	1.68%	533
2010	2,770	250	-	5,235*	2,119	5,139	1.35%	436
2011	2,710	227	-	5,050	1,916	9,903	2.48%	831
2012	2,585	204	-	4,865	1,714	9,368	2.25%	785
2013	2,408	182	-	4,603	1,472	8,665	2.02%	726
2014	2,294	-	-	4,441	1,284	8,019	1.76%	670
2015	2,175	-	-	4,285	1,097	7,557	N/A	N/A

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

N/A - Information not available.

¹ Personal income was calculated by multiplying the County's per capita income by the City's population.

² See the schedule of Demographic and Economic Statistics on page 138 for personal income and population data.

*City issued \$4,475 in revenue bonds in 2010.

**City of Kelso
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year	Assessed Value*₁	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property₂	Per Capita₃
2006	\$ 564,395	\$ 3,080,000	-	\$ 3,080,000	0.49%	\$ 260
2007	606,625	3,080,000	-	3,080,000	0.46%	260
2008	648,929	2,980,000	-	2,980,000	0.39%	250
2009	727,939	2,875,000	-	2,875,000	0.37%	243
2010	728,204	2,770,000	-	2,770,000	0.33%	235
2011	753,399	2,710,000	-	2,710,000	0.33%	227
2012	743,257	2,585,000	-	2,585,000	0.33%	217
2013	680,264	2,408,189	-	2,408,189	0.34%	202
2014	678,037	2,294,356	-	2,294,356	0.32%	192
2015	690,210	2,175,000	-	2,175,000	0.30%	182

*Amounts expressed in thousands

₁Cowlitz County Assessor's Office

₂See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Page 128 for property value data

₃Population data can be found in the Schedule of Demographic and Economic Statistics on page 138.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Kelso
Direct and Overlapping Governmental Activities Debt
December 31, 2015

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Direct:			
City of Kelso	\$ 2,175,000	100%	\$ 2,175,000
Overlapping:			
Cowlitz County	43,862,798	8%	3,509,024
Kelso School District	16,557,211	41%	6,788,457
Port of Longview	11,250,000	10%	1,125,000
Cowlitz Fire District #2	152,348	32%	48,751
Subtotal, overlapping debt	71,822,357		11,471,231
Total direct and overlapping	<u>\$ 73,997,357</u>		<u>\$ 13,646,231</u>

Source: Cowlitz County Assessor's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Kelso. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the jurisdiction's taxable value that is within the City's boundaries and dividing it by the jurisdiction's total taxable assessed value.

City of Kelso
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 42,330	\$ 45,497	\$ 48,670	\$ 54,595	\$ 54,615	\$ 56,505	\$ 55,744	\$ 51,020	\$ 50,853	\$ 51,766
Total net debt applicable to limit	3,079	3,079	2,978	1,270	2,046	1,893	1,637	1,378	2,315	2,175
Legal debt margin	<u>\$ 39,251</u>	<u>\$ 42,418</u>	<u>\$ 45,692</u>	<u>\$ 53,325</u>	<u>\$ 52,569</u>	<u>\$ 54,612</u>	<u>\$ 54,107</u>	<u>\$ 49,642</u>	<u>\$ 48,538</u>	<u>\$ 49,591</u>
Total net debt applicable to the limit as a percentage of debt limit	7.27%	6.77%	6.12%	2.33%	3.75%	3.35%	2.94%	2.70%	4.55%	4.20%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 690,210
Debt limit (7.5% of total assessed value)	51,766
Debt applicable to limit:	
General obligation bonds	2,175
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>2,175</u>
Legal debt margin	<u>\$ 49,591</u>

Note: The City of Kelso is authorized to issue debt pursuant to the Acts of the State of Washington. With voter approval the City can issue debt up to 2.5 percent of the assessed valuation of taxable property within the City. Without a vote, the City can incur debt up to an amount equal to 1.5 percent of the assessed valuation. Further, voted indebtedness is permitted for water, artificial lights, and sewerage up to 2.5 percent of assessed valuation, with an additional 2.5 percent available for acquiring open space for park facilities. The combination of unlimited tax (voted) and limited tax (non-voted) general obligation debt for all purposes cannot exceed 7.5 percent of assessed valuation

**City of Kelso
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Water/Sewer Revenue Bonds					
	Water/Sewer Revenues¹	Less: Operating Expenses²	Net Available Revenue	Debt Services³		Coverage
				Principal	Interest	
2006	\$ 5,925,889	\$ 4,936,770	\$ 989,119	\$ 165,000	\$ 73,014	4.16
2007	6,576,208	5,205,623	1,370,585	170,000	66,709	5.79
2008	6,701,592	5,101,568	1,600,024	255,000	79,839	4.78
2009	7,124,034	6,102,630	1,021,404	75,000	35,291	9.26
2010	7,256,265	5,871,745	1,384,520	80,000	33,454	12.20
2011	7,569,205	5,664,324	1,904,881	185,000	194,836	5.02
2012	7,584,880	5,740,359	1,844,521	185,000	189,738	4.92
2013	7,805,929	6,125,903	1,680,026	190,000	193,409	4.38
2014	8,280,269	6,092,495	2,187,774	195,000	216,772	5.31
2015	8,796,003	6,599,416	2,196,587	195,000	214,992	5.36

¹Total revenues (including investment earnings) exclusive of capital recovery charges and capital grants.

²Total operating expenses exclusive of depreciation and interest.

³Includes principal and interest of water/sewer revenue bonds only.

**City of Kelso
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population ¹	Info available at County level only			School Enrollments ³	Metro/Area Unemployment Rate ⁴
		Personal Income ²	Per Capita Personal Income ²	County Median Age ¹		
2006	11,840	\$ 2,795,471	\$ 28,191	38.67	5,174	6.5%
2007	11,840	3,059,557	30,370	38.82	4,921	6.3%
2008	11,900	3,227,830	31,742	38.99	5,089	8.2%
2009	11,840	3,235,488	31,681	39.25	5,022	13.4%
2010	11,780	3,314,467	32,368	40.19	5,034	13.0%
2011	11,920	3,426,188	33,479	40.55	4,970	12.1%
2012	11,930	3,557,907	34,941	40.71	4,091	10.9%
2013	11,940	3,667,139	36,002	40.89	4,908	10.1%
2014	11,960	3,894,794	38,135	41.16	4,974	8.4%
2015	11,950	N/A	N/A	N/A	4,951	7.6%

N/A - information not available.

¹Source: Office of Financial Management

²Source: U.S. Department of Commerce, Bureau of Economic Analysis.

³Source: Kelso School District

⁴Source: Bureau of Labor Statistics

Personal income amounts are expressed in thousands of dollars.

**City of Kelso
Principal Employers
Current Year and Nine Years Ago**

Employer	2014*			2006**		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Weyerhaeuser	2,500	1	6.2%	1,850	1	4.5%
St John's Medical Center/Peace Health	1,919	2	4.8%	1,500	3	3.6%
Kapstone Paper & Packaging / Longview Fibre	1,140	3	2.8%	1,743	2	4.2%
JH Kelly	787	4	2.0%	500	8	1.2%
Walmart	750	5	1.9%	-		
Longview School District	735	6	1.8%	925	4	2.2%
Foster Farms	687	7	1.7%	700	6	1.7%
Kelso School District	637	8	1.6%	850	5	2.1%
Cowlitz County	519	9	1.3%	570	7	1.4%
Safeway Grocery	328	10	0.8%	475	9	1.2%
NORPAC				450	10	1.1%
Total	10,002		24.9%	9,563		23.2%

Note - Principal employer information is available on a county-wide basis only.

* Cowlitz-Wahkiakum Council of Governments as of 2014

** Cowlitz-Wahkiakum Council of Governments, Kelso Longview Chamber of Commerce and Washington State Employment Security Department

City of Kelso
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Community Development	5.0	5.0	5.0	5.0	5.0	2.3	3.0	3.0	2.5	1.5
Finance	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	1.5	1.5	1.0	1.0	1.0	0.3	0.3	0.4	0.4	0.4
Admin.	1.5	1.5	1.9	2.0	2.0	1.8	1.7	2.0	2.0	2.0
Engineering	6.0	6.0	8.0	6.9	6.1	6.1	6.1	4.1	4.1	4.6
Airport Maintenance	-	-	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
Public Safety										
Police										
Officers	28.0	28.0	31.4	29.8	27.0	27.0	24.3	24.0	24.0	25.0
Civilians	4.0	4.0	3.4	3.4	3.4	3.4	3.4	4.4	4.4	4.4
Highways & Streets										
Maintenance	2.0	2.0	2.5	1.4	1.0	0.0	0.0	0.0	1.0	1.0
Traffic	2.0	2.0	2.4	2.5	1.5	1.3	1.3	1.3	1.3	1.0
Culture and recreation	7.0	7.0	8.9	7.1	6.0	6.0	6.0	6.3	6.3	7.0
Water	7.0	7.0	8.1	8.7	7.5	7.5	7.5	8.8	8.8	8.0
Sewer	6.0	6.0	5.4	6.7	5.5	5.5	5.5	6.8	6.8	6.0
Drainage	2.0	2.0	2.2	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	80.0	80.0	88.2	85.6	76.0	71.1	69.1	72.1	72.6	71.9

Source: City Payroll Department

City of Kelso
Operating Indicators by Function
 Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical arrests	2,026	1,824	1,586	1,668	1,608	1,435	1,309	1,163	1,065	1,227
Traffic violations	1,211	1,135	1,276	1,176	2,477	2,471	1,310	1,114	1,197	645
Fire (contracted with Cowlitz 2 Fire and Rescue)										
Number of calls answered	4,911	4,996	4,607	3,981	3,743	3,974	4,180	4,225	4,107	4,636
Highways and streets										
Street resurfacing (linear feet)	17,536	6,600	5,647	5,150	35,957	21,056	6,300	3,800	13,500	4,700
Sanitation (contracted with Waste Control Equipment Inc.)										
Residential refuse collected (tons monthly average)	533	573	562	519	495	507	524	513	641	642
Residential recyclables collected (tons monthly average)	52	52	49	50	51	46	50	41	40	41
Water										
Number of service connections	4,660	4,704	4,716	4,725	4,758	4,775	4,782	4,778	4,781	4,784
Water main breaks	11	3	11	6	11	9	5	7	7	3
Average daily consumption (millions of gallons)	2.4	2.2	2.3	2.3	2.2	2.2	2.0	2.1	2.1	2.25
Sewer										
Number of service connections	3,954	3,961	3,970	3,938	3,943	3,931	3,924	3,933	3,950	3,982
Average daily sewage treatment (millions of gallons)	3.0	2.6	2.6	2.4	2.6	2.7	2.9	2.3	2.5	2.7

Sources: Various City departments.

City of Kelso
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	9	9	9	9
Highways and streets										
Street (miles)	64	64	64	64	64	64	64	64	64	64
Streetlights	300	300	380	380	432	432	432	441	469	469
Traffic signals	12	12	12	12	13	13	13	13	15	15
Culture and recreation										
Libraries	1	1	1	1	1	1	1	1	1	1
Park acreage	50	50	50	50	50	50	50	50	50	50
Swimming pools	-	-	-	-	-	-	-	-	-	-
Water										
Water mains (miles)	72.99	73.00	73.00	73.00	73.00	73.00	73.56	73.56	73.56	73.85
Fire hydrants	605	605	550	550	550	554	554	554	556	605
Maximum daily capacity (millions of gallons)	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Sewer										
Sanitary sewers (miles)	55.06	52.00	52.00	52.00	56.00	56.00	56.52	56.52	56.52	56.80
Storm sewers (miles)	55	55	55	55	55	55	34	34	34	55
Maximum daily treatment capacity (millions of gallons)	26	26	26	26	26	26	26	26	26	26

Sources: Various City departments.