

# *City of Kelso, Washington Annual Comprehensive Financial Report*



*Rister Stadium Baseball Field 2021, Kelso, WA*

*FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2021*

# **City of Kelso, Washington**

## **Annual Comprehensive Financial Report**



**For the fiscal year ended December 31, 2021**

**Prepared by the Finance Department**

**Brian Butterfield**  
**Finance Director**

**Accounting Staff**  
**Sharry Hilton**  
**Lisa Wetle**

City of Kelso  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended December 31, 2021

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# **INTRODUCTORY SECTION**

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## Finance / Utility Department

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

**Phone:** 360-423-0900 **FAX:** 360-425-9807



June 28, 2022

To the Honorable Mike Karnofski, Mayor  
Members of the City Council  
Andrew Hamilton, 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 annual comprehensive financial report (ACFR) of the City of Kelso for the fiscal year ended December 31, 2021.

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, 2021, 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, 2021, 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 12,720.

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, 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 preliminary budget to the City Council for review prior to November 1. The City Council is required to hold public hearings on the preliminary 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 100.

### **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 two anchor stores; Sportsman's Warehouse, and J.C. Penney. Additional employment is provided by regional employers such as WestRock, an American corrugated packaging company, PeaceHealth/St. John Hospital, and Nippon Paper Industries Company, LTD, 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 2021 was 6.4 percent compared with state and national rates of 5.2 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**

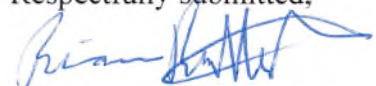
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kelso for its ACFR for the fiscal year ended December 31, 2020. This was the seventeenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized ACFR. 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 ACFR 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 ACFR 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**

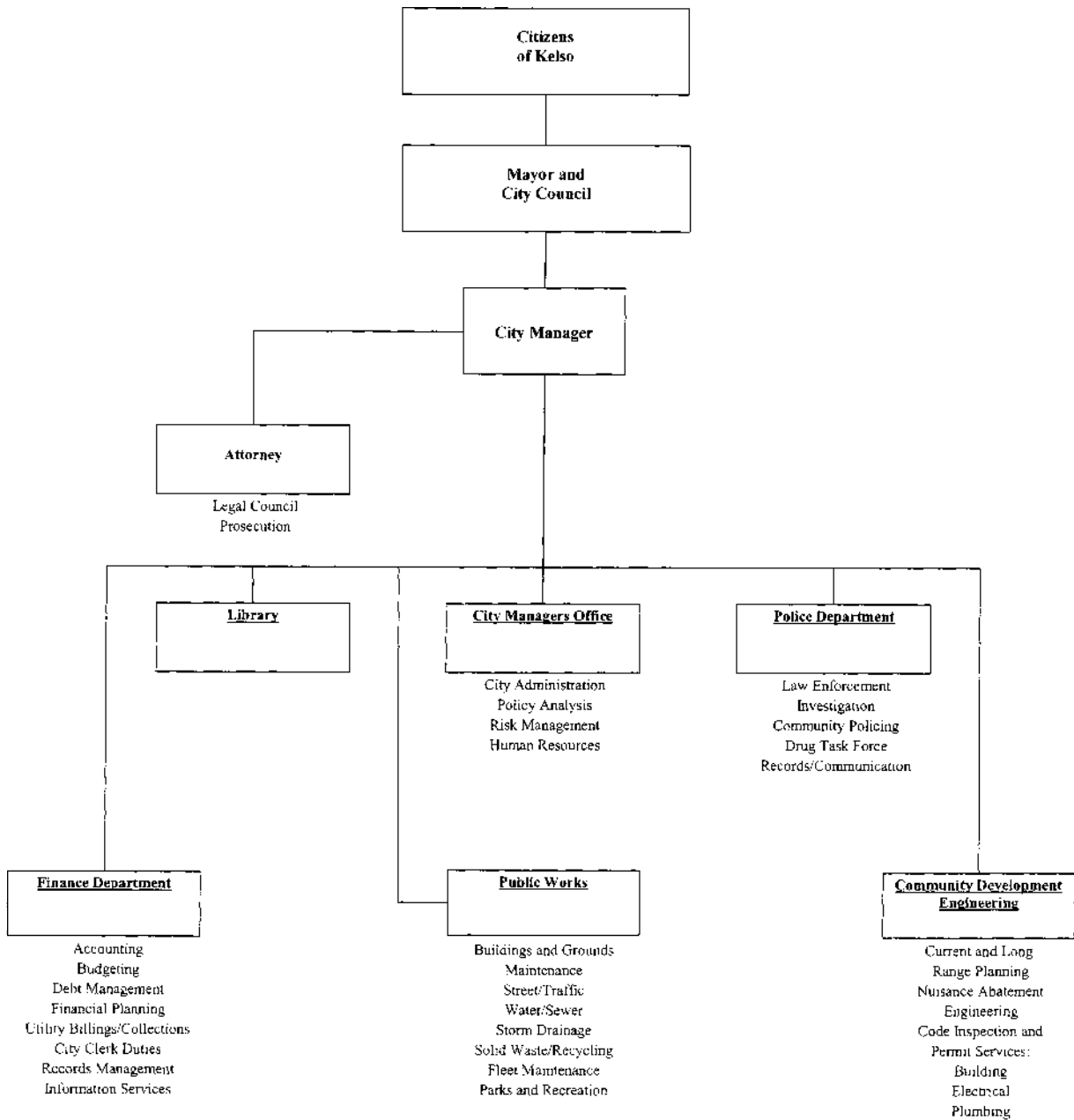
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

*Christopher P. Morill*

Executive Director/CEO

# City Of Kelso Organizational Chart



# City of Kelso

## Directory of Officials

December 31, 2021

### Elected Officials

Mayor

Nancy Malone

Council Members

Kimberly Lefebvre  
Mike Karnofski  
Jeffrey McAllister  
Lisa Alexander  
Keenan Harvey  
Jim Hill

### Appointed Officials

City Manager

Andrew Hamilton

City Attorney

Janean Parker

Clerk / Finance Director

Brian Butterfield

Public Works Superintendent

Randy Johnson

Police Chief

Darr Kirk

Community Development Director/  
City Engineer

Michael Kardas



# **FINANCIAL SECTION**



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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS**

Mayor and City Council  
City of Kelso  
Kelso, Washington

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinions**

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 as of and for the year then ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Matters of Emphasis**

As discussed in Note V to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an 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* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an 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* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;



- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, is the responsibility of management and, 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 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 combining financial statements and schedules are presented for the purposes of additional analysis and are 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.

### **Other Information**

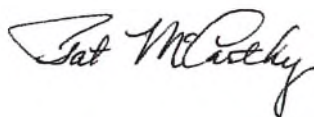
The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the other information, and, we do not express opinions or provide any assurance thereon.

In connection with the audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we will also issue our report dated June 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

June 28, 2022

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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, 2021. 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 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 \$127,014 (net position). Capital assets, net of depreciation and related debt, account for \$98,702 or 77.7% of total net position. \$23,035 or 18% 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 \$13,944 during 2021.
- As of the close of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$14,327 an increase of \$1,570 in comparison with the prior year. Approximately 89% of this amount, \$12,742, 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 \$10,322, or 97% of total general fund expenditures.
- The City of Kelso's total debt (exclusive of compensated absences, bond discounts/premiums, and pension obligations) decreased by \$923 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, 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 ten 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 eight 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 \$127,014 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, 2021 with comparable data provided for the previous year.

**City of Kelso's Net Position**

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$25,914	\$16,457	\$ 20,613	\$ 17,130	\$ 46,527	\$ 33,587
Capital assets (net)	<u>76,981</u>	<u>70,559</u>	<u>32,129</u>	<u>32,291</u>	<u>109,110</u>	<u>102,850</u>
Total assets	<u>102,895</u>	<u>87,016</u>	<u>52,742</u>	<u>49,421</u>	<u>155,637</u>	<u>136,437</u>
Total deferred outflows of resources	<u>856</u>	<u>994</u>	<u>466</u>	<u>416</u>	<u>1,322</u>	<u>1,410</u>
Long-term liabilities outstanding	10,883	11,538	9,778	10,693	20,661	22,231
Other liabilities	<u>2,307</u>	<u>936</u>	<u>992</u>	<u>855</u>	<u>3,299</u>	<u>1,791</u>
Total liabilities	<u>13,190</u>	<u>12,474</u>	<u>10,770</u>	<u>11,548</u>	<u>23,960</u>	<u>24,022</u>
Total deferred inflows of resources	<u>4,765</u>	<u>575</u>	<u>1,220</u>	<u>180</u>	<u>5,985</u>	<u>755</u>
Net position:						
Net investment in capital assets	72,897	66,459	25,805	25,522	98,702	91,981
Restricted	5,182	3,378	95	3,022	5,277	6,400
Unrestricted	<u>7,717</u>	<u>5,124</u>	<u>15,318</u>	<u>9,565</u>	<u>23,035</u>	<u>14,689</u>
Total net position	<u>\$85,796</u>	<u>\$74,961</u>	<u>\$41,218</u>	<u>\$38,109</u>	<u>\$127,014</u>	<u>\$113,070</u>

By far the largest portion of the City's net position (77.7 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 (4.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$23,035 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 \$10,835 in 2021. Revenues increased by \$3,878 and expenses decreased by \$711 in 2021. Key elements for these changes include the following:

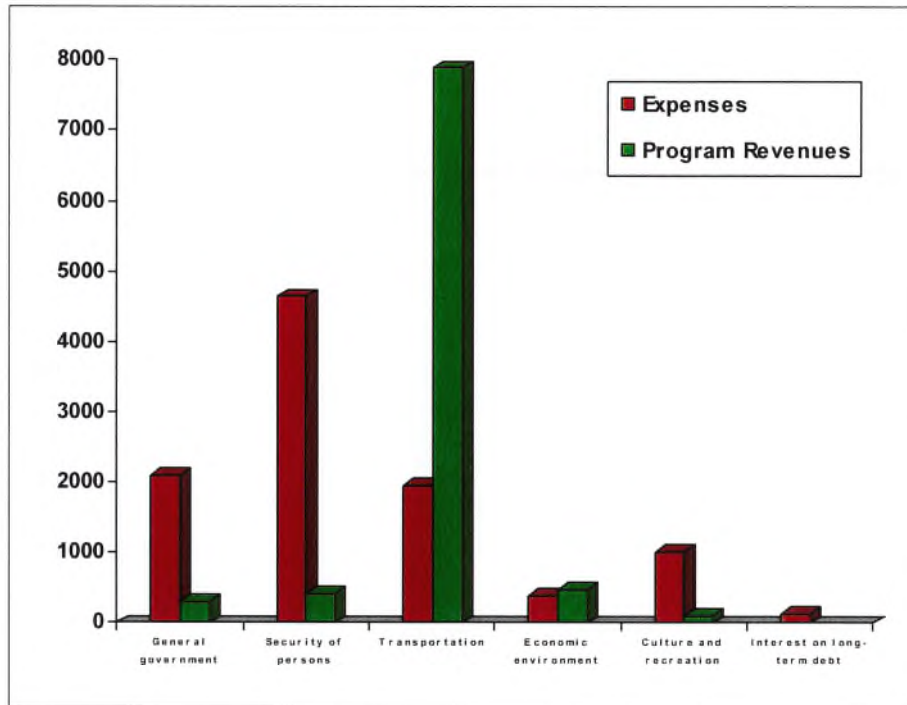
- The City received \$6,214 in grants for various roadway infrastructure projects.
- Increased sales and business taxes related to above normal construction activity throughout the City in 2021.

- Overall increased economic activity spurred by the COVID 19 related stimulus checks issued by the United States Treasury department.
- Actuarially determined pension expenses decreased by \$1,467 in 2021.

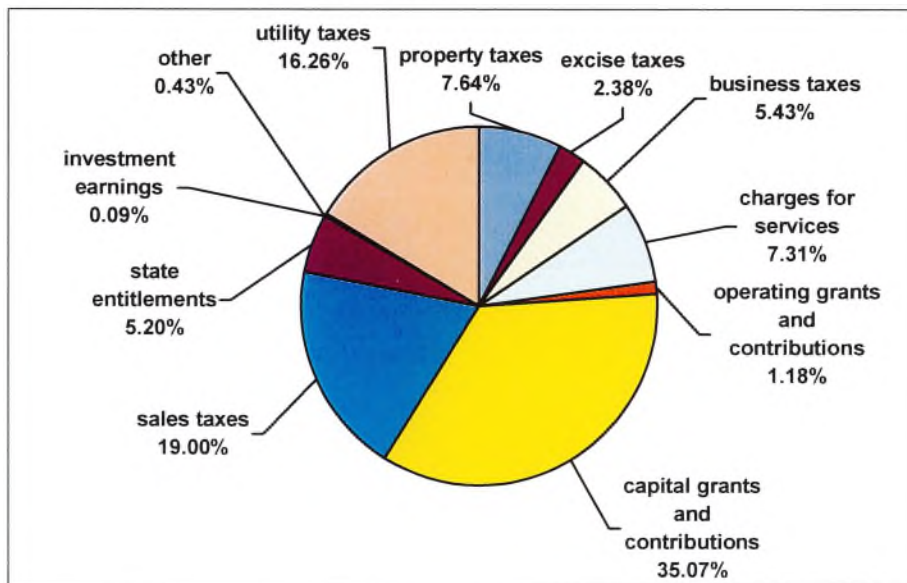
**City of Kelso's Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$1,538	\$1,305	\$13,208	\$13,141	\$14,746	\$14,446
Operating grants and contributions	249	851	126	135	375	986
Capital grants and contributions	7,383	4,123	375	17	7,758	4,140
General revenues:						
Property taxes	1,608	1,577	-	-	1,608	1,577
Sales and use taxes	4,000	3,419	-	-	4,000	3,419
Utility taxes	3,424	3,424	-	-	3,424	3,424
Business taxes	1,143	949	-	-	1,143	949
Excise taxes	502	387	-	-	502	387
State entitlements	1,095	943	-	-	1,095	943
Investment earnings	20	58	8	56	28	114
Miscellaneous	91	115	-	-	91	115
Gain/(loss) on sale of capital assets	-	24	-	67	-	91
Total revenues	<u>21,053</u>	<u>17,175</u>	<u>13,717</u>	<u>13,416</u>	<u>34,770</u>	<u>30,591</u>
Expenses:						
General government	2,091	2,516	-	-	2,091	2,516
Security of persons and property	4,642	5,022	-	-	4,642	5,022
Transportation	1,952	1,851	-	-	1,952	1,851
Economic environment	387	378	-	-	387	378
Culture and recreation	1,022	1,021	-	-	1,022	1,021
Interest on long-term debt	124	141	-	-	124	141
Water/Sewer	-	-	8,317	8,886	8,317	8,886
Storm water	-	-	461	527	461	527
Solid waste	-	-	1,830	1,822	1,830	1,822
Total expenses	<u>10,218</u>	<u>10,929</u>	<u>10,608</u>	<u>11,235</u>	<u>20,826</u>	<u>22,164</u>
Change in net position	10,835	6,246	3,109	2,181	13,944	8,427
Net position – beginning	<u>74,961</u>	<u>68,715</u>	<u>38,109</u>	<u>35,928</u>	<u>113,070</u>	<u>104,643</u>
Net position – ending	<u>\$ 85,796</u>	<u>\$ 74,961</u>	<u>\$41,218</u>	<u>\$38,109</u>	<u>\$127,014</u>	<u>\$113,070</u>

### Expenses and Program Revenues – Governmental Activities



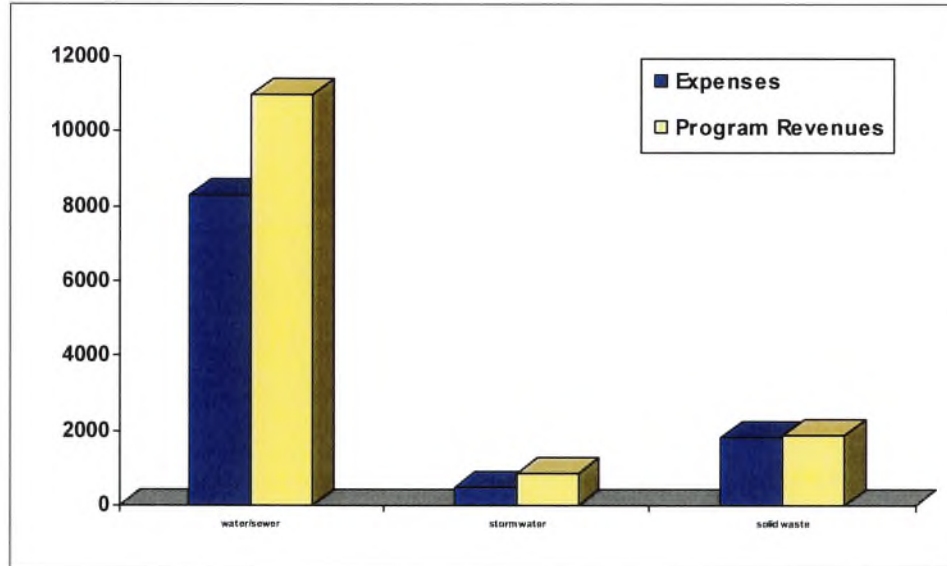
### Revenues by Source - Governmental Activities



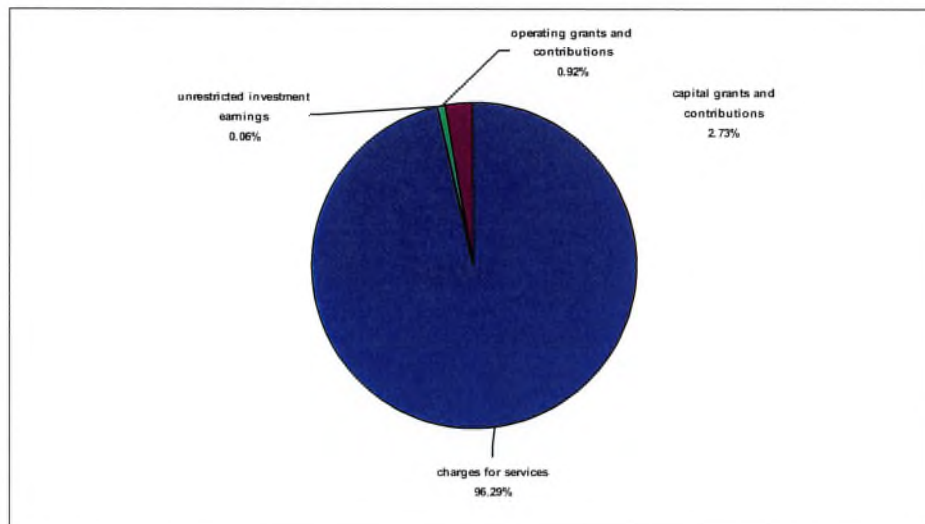


**Business-type activities.** Business-type activities increased the City of Kelso's net position by \$3,109. Business-type activity revenues increased by \$301 and expenses decreased by \$627 in 2021. Operating revenues exceeded operating expenses in 2021 by \$2,286 in the water/sewer fund.

#### Expenses and Program Revenues – Business-type Activities



#### Revenues by Source – Business-type Activities



The increase in net position reflects the City's commitment to accumulate sufficient reserves to fund future capital improvements in the water and sewer infrastructure.

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

- The City increased the water and sewer rates by 7% and 3%, respectively in 2021.
- Actuarially determined pension expenses decreased by \$452 in 2021.

### **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 \$14,327 an increase of \$1,570 in comparison with the prior year. Approximately 89% of ending fund balance (\$12,742) 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 (\$259), 2) to pay for low-income housing (\$81), 3) to pay for street maintenance & construction (\$80), 4) to pay for construction or debt service on certain capital projects (\$321), 5) for a variety of other restricted purposes (\$844).

As mentioned earlier, the City of Kelso maintains ten 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 \$11,098. All but \$1,173 of this fund balance is unassigned. \$775 is restricted for low-income housing, criminal justice, building permitting, and public education. \$398 has been assigned by the City for maintenance of City owned bridges. Unassigned fund balance represents 94.2 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 \$2,106 during the current fiscal year. Much of this increase can, most likely, be attributed to the overall

increased economic activity spurred by the COVID 19 related stimulus checks issued by the United States Treasury department. Other reasons for this increase are discussed in the General Fund Budgetary Highlights section below.

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 City streets. In 2021, the arterial street fund expended in excess of \$7.3 million on roadway improvements. These expenditures were offset by \$6,214 from various grantors.

**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 \$12,342, and for the solid waste fund amounted to \$308. The total net position for the water/sewer fund increased by \$2,567 and the total net position for the solid waste fund increased by \$24. 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 \$474 increase in appropriations.

At the end of the year, operating revenues exceeded budgetary estimates by \$480 and operating expenditures and transfers were \$2,185 less than budgetary estimates.

Some of the factors that contributed to the increase in expected revenues are as follows:

- Sales and business tax receipts were \$940 higher than anticipated.
- Building permit related revenues exceeded budgetary amounts by \$323.
- Fees for engineering services exceeded budgetary amounts by \$146.
- Grants and State shared revenues were \$983 lower than anticipated.

The increases realized in sales tax and building permits are mostly attributed to above normal construction activity within the City in 2021.

Some of the factors that contributed to the decrease in expected expenditures are as follows:

- Grant pass-thru payment of \$915 to the Southwest Washington Regional Airport was postponed until 2022 or 2023.
- The replacement of the HVAC at City Hall for \$450 was postponed until 2022.
- Several positions within the City's police department remained vacant for the year due to shortage of qualified applicants.

## 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, 2021 amounts to \$98,754 (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:

- **Tam O' Shanter Park Improvements – Phase 2.** In 2019, the City began a series of improvements at Tam O' Shanter Park. This project consists of improving the parking, circulation and safety for vehicles and pedestrians by adding a two-way parking lot bypass road, adding sidewalks, adding new parking areas (paved and gravel), rehabilitating the roads and parking lots, restoring a portion of an existing baseball field, improving the landscaping, the stormwater management system and installing conduit and pullboxes for future lighting. Phase 1 of this project was completed in 2019. Phase 2, which began in 2020 and was completed in 2021, continued the improvement of the circulation and parking of the first phase. The total cost of Phase 2 was \$1,254,011.
- **The West Main Street Corridor – Phase 2.** This project provides a direct route from SR 4 to I-5 through Kelso and improves access to SR 411. Phase 2 completes the project and includes right-of-way acquisition, widening of the corridor, and intersection improvements at the SR 4 junction. Construction began in December of 2020 it is expected to be complete in 2022. The total cost of Phase 2 through December 31, 2021, was \$9,079,724.
- **South Kelso Railroad Crossing.** This project proposes to construct a grade separated crossing over the Burlington Northern Santa Fe Railroad in south Kelso. The project is currently in the design and right of way acquisition phases. The total cost of this project through December 31, 2021, was \$5,321,322.

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

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$23,136	\$23,136	\$ 29	\$ 29	\$ 23,165	\$ 23,165
Buildings and structures	6,655	6,812	12,241	12,562	18,896	19,374
Improvements other than buildings	6,626	5,563	17,055	17,568	23,681	23,131
Machinery and equipment	957	998	1,775	1,942	2,732	2,940
Infrastructure	25,034	25,764	-	-	25,034	25,764
Construction in progress	<u>14,573</u>	<u>8,286</u>	<u>1,029</u>	<u>190</u>	<u>15,602</u>	<u>8,476</u>
Total	<u>\$76,981</u>	<u>\$70,559</u>	<u>\$32,129</u>	<u>\$32,291</u>	<u>\$109,110</u>	<u>\$102,850</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 \$3,665. 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	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$3,665	\$3,960	\$ -	\$ -	\$3,665	\$3,960
Revenue bonds	-	-	<u>5,095</u>	<u>5,405</u>	<u>5,095</u>	<u>5,405</u>
Total	<u>\$3,665</u>	<u>\$3,960</u>	<u>\$5,095</u>	<u>\$5,405</u>	<u>\$8,760</u>	<u>\$9,365</u>

The City of Kelso's total bonded debt decreased by \$605 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 \$3,649.

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 2021 was 6.4 percent, which is a decrease from a rate of 9.3 percent in 2020. This compares unfavorably to the State's average unemployment rate of 5.2 percent and the national average rate of 5.3 percent.
- For the 2021/2022 biennium, the City will maintain the 2% increase for utility taxes on water, sewer, and garbage that was implemented in the 2017/2018 biennium.
- 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 the 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 2022 fiscal year.

At the end of the current fiscal year the unassigned fund balance in the general fund is \$9,924. In 2022, the City anticipates spending down \$1,551 of this unassigned fund balance. Most of the anticipated deficit stems from enhancements to the City's police department, maintenance of City Hall, as well as, conservative revenue projections.

In 2022, water and sewer rates will be increased by 7% and 3%, respectively. 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.

# **BASIC FINANCIAL STATEMENTS**

**City of Kelso**  
**Statement of Net Position**  
**December 31, 2021**

	<b>PRIMARY GOVERNMENT</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 14,409,075	\$ 14,295,264	\$ 28,704,339
Receivables (net of allowance for uncollectible):	3,768,781	2,082,830	5,851,611
Net pension asset	7,436,241	1,150,367	8,586,608
Long-term notes receivable	299,313	-	299,313
Restricted assets	-	3,084,062	3,084,062
Capital assets not being depreciated:			
Land	23,136,179	28,712	23,164,891
Construction in progress	14,573,265	1,028,688	15,601,953
Capital assets net of accumulated depreciation:			
Buildings	6,655,269	12,241,292	18,896,561
Improvements other than buildings	6,625,556	17,054,884	23,680,440
Machinery and equipment	956,978	1,775,627	2,732,605
Infrastructure	25,034,074	-	25,034,074
Total assets	<u>102,894,731</u>	<u>52,741,726</u>	<u>155,636,457</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to charge on refunding	23,249	-	23,249
Related to pensions	682,348	165,013	847,361
Related to OPEB	48,484	-	48,484
Related to asset retirement obligations	101,645	301,600	403,245
Total deferred outflows of resources	<u>855,726</u>	<u>466,613</u>	<u>1,322,339</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	554,100	665,869	1,219,969
Interest payable	10,892	26,201	37,093
Unearned revenue	1,741,937	54,563	1,796,500
Liabilities payable from restricted assets	-	245,309	245,309
Long-term liabilities:			
Due within one year	566,784	671,726	1,238,510
Due in more than one year	4,015,897	8,673,622	12,689,519
Net pension liability	176,940	97,386	274,326
Total OPEB liability	5,920,108	-	5,920,108
Asset retirement obligation	203,291	335,200	538,491
Total liabilities	<u>13,189,949</u>	<u>10,769,876</u>	<u>23,959,825</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	4,764,552	1,220,440	5,984,992
Total deferred inflows of resources	<u>4,764,552</u>	<u>1,220,440</u>	<u>5,984,992</u>
<b>NET POSITION</b>			
Net investment in capital assets	72,896,902	25,805,222	98,702,124
Restricted for:			
Pensions	3,596,947	94,940	3,691,887
Capital projects	321,312	-	321,312
Promotion of tourism	142,340	-	142,340
Paths and trails	6,691	-	6,691
Street maintenance/construction	80,091	-	80,091
Criminal Justice	57,316	-	57,316
Affordable housing	80,920	-	80,920
Housing/neighborhood rehabilitation	258,939	-	258,939
Public education	51,786	-	51,786
Building permitting	585,406	-	585,406
Unrestricted	7,717,306	15,317,861	23,035,167
Total net position	<u>\$ 85,795,956</u>	<u>\$ 41,218,023</u>	<u>\$ 127,013,979</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, 2021**

Functions/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,091,448	\$ 245,817	\$ 60,000	\$ -	\$ (1,785,631)	\$ -	\$ (1,785,631)
Security of persons and property	4,642,164	264,269	140,892	-	(4,237,003)	-	(4,237,003)
Transportation	1,951,938	474,588	33,696	7,372,438	5,928,784	-	5,928,784
Economic environment	386,791	451,588	14,328	-	79,125	-	79,125
Culture and recreation	1,021,550	101,412	-	10,322	(909,816)	-	(909,816)
Interest on long-term debt	124,422	-	-	-	(124,422)	-	(124,422)
Total governmental activities	<u>10,218,313</u>	<u>1,537,674</u>	<u>248,916</u>	<u>7,382,760</u>	<u>(1,048,963)</u>	<u>-</u>	<u>(1,048,963)</u>
Business-type activities:							
Water/Sewer	8,317,108	10,521,504	85,435	374,360	-	2,664,191	2,664,191
Solid waste	1,829,883	1,853,718	-	-	-	23,835	23,835
Storm water	460,617	833,071	40,725	-	-	413,179	413,179
Total business-type activities	<u>10,607,608</u>	<u>13,208,293</u>	<u>126,160</u>	<u>374,360</u>	<u>-</u>	<u>3,101,205</u>	<u>3,101,205</u>
Total primary government	<u>\$ 20,825,921</u>	<u>\$ 14,745,967</u>	<u>\$ 375,076</u>	<u>\$ 7,757,120</u>	<u>\$ (1,048,963)</u>	<u>\$ 3,101,205</u>	<u>\$ 2,052,242</u>
General Revenues:							
Property taxes					1,608,024	-	1,608,024
Sales taxes					4,000,231	-	4,000,231
Utility taxes					3,424,460	-	3,424,460
Business taxes					1,142,891	-	1,142,891
Excise taxes					502,390	-	502,390
State entitlements (unrestricted)					1,094,638	-	1,094,638
Investment earnings					19,994	7,970	27,964
Miscellaneous					91,184	-	91,184
Total general revenues					<u>11,883,812</u>	<u>7,970</u>	<u>11,891,782</u>
Change in net position					<u>10,834,849</u>	<u>3,109,175</u>	<u>13,944,024</u>
Net position - beginning					<u>74,961,107</u>	<u>38,108,848</u>	<u>113,069,955</u>
Net position - ending					<u>\$ 85,795,956</u>	<u>\$ 41,218,023</u>	<u>\$ 127,013,979</u>

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

**City of Kelso**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	General Fund	Arterial Street Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash & cash equivalents	\$ 11,183,734	\$ 269,914	\$ 2,418,211	\$ 13,871,859
Receivables (net):				
Taxes	1,848,519	-	63,561	1,912,080
Accounts	213,913	-	18,173	232,086
Assessments	-	5,388	-	5,388
Due from other funds	-	-	632,000	632,000
Due from other governments	45,679	1,562,661	10,607	1,618,947
Advances to other funds	-	-	129,004	129,004
Long-term notes receivable	-	-	299,313	299,313
Total assets	<u>\$ 13,291,845</u>	<u>\$ 1,837,963</u>	<u>\$ 3,570,869</u>	<u>\$ 18,700,677</u>
<b>LIABILITIES</b>				
Accounts payable	301,506	244,222	8,372	554,100
Due to other funds	-	632,000	-	632,000
Advances from other funds	-	129,004	-	129,004
Unearned revenue	1,734,783	5,388	1,766	1,741,937
Total liabilities	<u>2,036,289</u>	<u>1,010,614</u>	<u>10,138</u>	<u>3,057,041</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property tax	53,644	-	-	53,644
Unavailable revenue-municipal court	104,403	-	-	104,403
Unavailable revenue-grants	-	1,158,714	-	1,158,714
Total deferred inflows of resources	<u>158,047</u>	<u>1,158,714</u>	<u>-</u>	<u>1,316,761</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted for:				
Paths and trails	-	-	6,691	6,691
Promotion of tourism	-	-	142,340	142,340
Housing/neighborhood rehabilitation	-	-	258,939	258,939
Low income housing	80,920	-	-	80,920
Criminal justice	57,316	-	-	57,316
Street maintenance/construction	-	-	80,091	80,091
Capital projects	-	-	321,312	321,312
Public education	51,786	-	-	51,786
Building permitting	585,406	-	-	585,406
Assigned to:				
Debt service	-	-	2,264,147	2,264,147
Bridge maintenance	398,051	-	-	398,051
Recreation	-	-	11,152	11,152
Neighborhood rehabilitation	-	-	386,737	386,737
Criminal justice	-	-	34,122	34,122
Promotion of tourism	-	-	55,200	55,200
Unassigned	9,924,030	(331,365)	-	9,592,665
Total fund balances	<u>11,097,509</u>	<u>(331,365)</u>	<u>3,560,731</u>	<u>14,326,875</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 13,291,845</u>	<u>\$ 1,837,963</u>	<u>\$ 3,570,869</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.	76,288,269
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,316,761
Net Pension and Total OPEB Assets or Liabilities are not considered to represent a financial resource or liability and, therefore, are not reported in the funds.	(2,820,527)
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.	1,230,547
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,545,969)
Net position of governmental activities	<u>\$ 85,795,956</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, 2021**

	General Fund	Arterial Street Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 10,012,757	\$ -	\$ 664,809	\$ 10,677,566
Licenses and permits	341,570	-	-	341,570
Intergovernmental	1,075,657	6,213,724	180,564	7,469,945
Charges for services	1,417,214	176,529	13,939	1,607,682
Fines	144,981	-	-	144,981
Investment earnings	18,134	19	1,865	20,018
Contributions	13,840	-	1,120	14,960
Rental/lease income	99,012	-	10,920	109,932
Miscellaneous	50,186	2,182	38,816	91,184
Total revenues	<u>13,173,351</u>	<u>6,392,454</u>	<u>912,033</u>	<u>20,477,838</u>
<b>Expenditures</b>				
Current:				
General government	3,302,049	-	-	3,302,049
Security of persons and property	5,000,430	-	298,941	5,299,371
Transportation	1,001,926	262	-	1,002,188
Economic environment	402,592	-	-	402,592
Culture and recreation	825,208	-	110,751	935,959
Debt service:				
Principal	-	-	295,000	295,000
Interest and bond issuance costs	-	829	138,638	139,467
Capital outlay:				
General government	7,490	-	-	7,490
Security of persons and property	35,142	-	-	35,142
Transportation	-	7,377,099	-	7,377,099
Culture and recreation	111,194	-	-	111,194
Total expenditures	<u>10,686,031</u>	<u>7,378,190</u>	<u>843,330</u>	<u>18,907,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,487,320</u>	<u>(985,736)</u>	<u>68,703</u>	<u>1,570,287</u>
<b>Other financing sources (uses)</b>				
Transfers in	101,854	370,950	523,100	995,904
Transfers out	(482,804)	-	(513,100)	(995,904)
Total other financing sources (uses)	<u>(380,950)</u>	<u>370,950</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	<u>2,106,370</u>	<u>(614,786)</u>	<u>78,703</u>	<u>1,570,287</u>
Fund balances - beginning	<u>8,991,139</u>	<u>283,421</u>	<u>3,482,028</u>	<u>12,756,588</u>
Fund balances - ending	<u>\$ 11,097,509</u>	<u>\$ (331,365)</u>	<u>\$ 3,560,731</u>	<u>\$ 14,326,875</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, 2021**

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

Net change in fund balances - total governmental funds (page 33)	\$ 1,570,287
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 capital outlays exceeded depreciation in the current period.	6,412,486
The net effect of funding the City's annual required contribution to the State Pension Fund.	1,564,411
The net effect of funding the City's post-retirement health care benefits for LEOFF I (Law Enforcement Officers and Fire Fighters) employees.	(140,161)
Some revenues reported in the governmental funds have already been reported in the statement of activities in prior years.	(5,942)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,158,714
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.	309,433
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.	(108,075)
Some expenses reported in the governmental funds have already been reported in the statement of activities in prior years.	612
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.	73,084
Change in net position of governmental activities (page 31)	<u>\$ 10,834,849</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, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 7,129,636	\$ 7,529,636	\$ 8,535,435	\$ 1,005,799
Licenses and permits	149,500	149,500	341,570	192,070
Intergovernmental	1,791,400	1,791,400	808,693	(982,707)
Charges for services	1,122,750	1,122,750	1,402,198	279,448
Fines	151,000	151,000	144,981	(6,019)
Investment earnings	27,000	27,000	17,619	(9,381)
Contributions	12,500	12,500	13,840	1,340
Other miscellaneous	17,500	17,500	17,108	(392)
Total revenues	<u>10,401,286</u>	<u>10,801,286</u>	<u>11,281,444</u>	<u>480,158</u>
<b>Expenditures</b>				
General government:				
Council	177,350	177,350	155,194	22,156
Municipal court	308,100	308,100	284,087	24,013
Manager	373,450	373,450	364,595	8,855
Finance	704,800	704,800	694,827	9,973
Attorney	238,800	238,800	235,546	3,254
Police	77,000	77,000	77,278	(278)
Fire	104,000	104,000	76,860	27,140
Engineering	746,000	746,000	668,422	77,578
Other - unclassified	772,550	1,172,550	745,240	427,310
Total general government	<u>3,502,050</u>	<u>3,902,050</u>	<u>3,302,049</u>	<u>600,001</u>
Security of persons and property:				
Police	4,758,450	4,822,150	4,498,785	323,365
Jail	340,000	340,000	223,025	116,975
Fire	171,000	171,000	170,952	48
Other	119,750	119,750	107,668	12,082
Total security of persons and property	<u>5,389,200</u>	<u>5,452,900</u>	<u>5,000,430</u>	<u>452,470</u>
Transportation	<u>1,122,750</u>	<u>1,122,750</u>	<u>241,717</u>	<u>881,033</u>
Economic environment	<u>645,200</u>	<u>655,500</u>	<u>402,592</u>	<u>252,908</u>
Culture and recreation	<u>7,500</u>	<u>7,500</u>	<u>7,112</u>	<u>388</u>
Capital outlay	<u>40,500</u>	<u>40,500</u>	<u>42,632</u>	<u>(2,132)</u>
Total expenditures	<u>10,707,200</u>	<u>11,181,200</u>	<u>8,996,532</u>	<u>2,184,668</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(305,914)</u>	<u>(379,914)</u>	<u>2,284,912</u>	<u>2,664,826</u>
<b>Other financing sources (uses)</b>				
Transfers in	60,000	60,000	60,000	-
Transfers out	(482,804)	(482,804)	(482,804)	-
Total other financing sources (uses)	<u>(422,804)</u>	<u>(422,804)</u>	<u>(422,804)</u>	<u>-</u>
Net change in fund balances budgetary basis	<u>(728,718)</u>	<u>(802,718)</u>	<u>1,662,108</u>	<u>2,664,826</u>
<b>Reconciliation of budgetary/GAAP basis:</b>				
Basis difference (See note III.B.)			<u>244,262</u>	
Net change in fund balance GAAP basis			<u>2,106,370</u>	
Fund balance - beginning			<u>8,991,139</u>	
Fund balance - ending			<u>\$ 11,097,509</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, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 10,910,000	\$ 10,910,000	\$ 6,213,724	\$ (4,696,276)
Charges for services	175,000	175,000	176,529	1,529
Investment earnings	1,000	1,000	19	(981)
Miscellaneous	1,550	1,550	2,182	632
Total revenues	<u>11,087,550</u>	<u>11,087,550</u>	<u>6,392,454</u>	<u>(4,695,096)</u>
<b>Expenditures</b>				
Transportation	-	-	262	(262)
Capital outlay	11,425,000	11,425,000	7,377,099	4,047,901
Debt Service:				
Principal	32,000	32,000	-	32,000
Interest and bond issuance costs	1,500	1,500	829	671
Total expenditures	<u>11,458,500</u>	<u>11,458,500</u>	<u>7,378,190</u>	<u>4,080,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(370,950)</u>	<u>(370,950)</u>	<u>(985,736)</u>	<u>(614,786)</u>
<b>Other financing sources (uses)</b>				
Transfers in	370,950	370,950	370,950	-
Total other financing sources (uses)	<u>370,950</u>	<u>370,950</u>	<u>370,950</u>	<u>-</u>
Net change in fund balance	-	-	(614,786)	(614,786)
Fund balance - beginning	283,421	283,421	283,421	-
Fund balance - ending	<u>\$ 283,421</u>	<u>\$ 283,421</u>	<u>\$ (331,365)</u>	<u>\$ (614,786)</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, 2021**

	Business-type Activities - Enterprise Funds				
	Major Funds		Non-Major Fund		Equipment Reserve Internal Service Fund
	Solid Waste	Water-Sewer	Storm Water	Total	
<b>ASSETS</b>					
Current Assets:					
Cash & cash equivalents	\$ 165,698	\$ 11,608,782	\$ 1,160,481	\$ 12,934,961	\$ 1,897,519
Restricted cash, cash equivalents, and investments:					
Customer deposits	-	245,309	-	245,309	-
Unspent revenue bond proceeds	-	2,838,753	-	2,838,753	-
Accounts receivable	317,631	1,555,130	158,069	2,030,830	280
Due from other governments	-	52,000	-	52,000	-
Total current assets	483,329	16,299,974	1,318,550	18,101,853	1,897,799
Noncurrent assets:					
Capital Assets:					
Land	-	28,712	-	28,712	-
Buildings and structures	-	16,072,243	-	16,072,243	-
Improvements other than buildings	-	29,558,799	1,307,160	30,865,959	-
Machinery and equipment	-	2,629,431	-	2,629,431	4,032,929
Construction in progress	-	1,018,530	10,158	1,028,688	52,804
Less accumulated depreciation	-	(18,997,861)	(430,492)	(19,428,353)	(2,460,158)
Total capital assets (net of accumulated depreciation)	-	30,309,854	886,826	31,196,680	1,625,575
Net pension asset	-	1,006,571	143,796	1,150,367	-
Total noncurrent assets	-	31,316,425	1,030,622	32,347,047	1,625,575
Total Assets	483,329	47,616,399	2,349,172	50,448,900	3,523,374
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	-	144,386	20,627	165,013	-
Related to asset retirement obligations	-	301,600	-	301,600	-
Total Deferred Outflows of Resources	-	445,986	20,627	466,613	-

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



Business-type Activities - Enterprise Funds					
	Major Funds		Non-Major	Total	Internal Service Funds
	Solid Waste	Water- Sewer	Storm Water		
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	175,474	485,702	4,693	665,869	-
Compensated absences	-	21,058	1,103	22,161	-
Customer deposits	-	245,309	-	245,309	-
Accrued interest payable	-	26,201	-	26,201	-
Unearned revenue	-	54,563	-	54,563	-
Current revenue bonds payable	-	315,000	-	315,000	-
Current portion notes payable	-	334,565	-	334,565	-
Total current liabilities	<u>175,474</u>	<u>1,482,398</u>	<u>5,796</u>	<u>1,663,668</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences	-	63,174	3,309	66,483	-
Revenue bonds payable	-	5,292,493	-	5,292,493	-
Notes payable	-	3,314,646	-	3,314,646	-
Net pension liability	-	96,014	1,372	97,386	-
Asset retirement obligations	-	335,200	-	335,200	-
Total noncurrent liabilities	<u>-</u>	<u>9,101,527</u>	<u>4,681</u>	<u>9,106,208</u>	<u>-</u>
Total Liabilities	<u>175,474</u>	<u>10,583,925</u>	<u>10,477</u>	<u>10,769,876</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	-	1,067,885	152,555	1,220,440	-
Total Deferred Inflows of Resources	<u>-</u>	<u>1,067,885</u>	<u>152,555</u>	<u>1,220,440</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	23,985,873	886,826	24,872,699	1,625,575
Restricted for pensions	-	83,072	11,868	94,940	-
Unrestricted	307,855	12,341,630	1,308,073	13,957,558	1,897,799
Total net position	<u>\$ 307,855</u>	<u>\$ 36,410,575</u>	<u>\$ 2,206,767</u>	<u>38,925,197</u>	<u>\$ 3,523,374</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>2,292,826</u>	
Net position of business-type activities				<u>\$ 41,218,023</u>	

**City of Kelso**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	Equipment Reserve Internal Service Fund
	Solid Waste	Water-Sewer	Storm Water	Total
Operating revenues:				
Charges for services	\$ 1,851,997	\$ 10,305,207	\$ 806,753	\$ 12,963,957
Other operating revenue	1,721	73,439	23,764	98,924
Total operating revenues	<u>1,853,718</u>	<u>10,378,646</u>	<u>830,517</u>	<u>13,062,881</u>
Operating expenses:				
General operations	938,897	3,209,618	426,437	4,574,952
Contracted processing operations	595,352	2,353,189	-	2,948,541
Maintenance	9,330	248,554	21,525	279,409
Depreciation	-	913,126	19,939	933,065
Taxes	286,304	1,367,720	13,162	1,667,186
Total operating expenses	<u>1,829,883</u>	<u>8,092,207</u>	<u>481,063</u>	<u>10,403,153</u>
Operating income (loss)	<u>23,835</u>	<u>2,286,439</u>	<u>349,454</u>	<u>2,659,728</u>
Nonoperating revenues (expenses):				
Investment earnings	97	6,903	343	7,343
Intergovernmental	-	-	33,067	33,067
Other	-	85,435	7,658	93,093
Gain (loss) on capital asset disposition	-	-	-	-
Interest expense	-	(186,388)	-	(186,388)
Total nonoperating revenues (expenses)	<u>97</u>	<u>(94,050)</u>	<u>41,068</u>	<u>(52,885)</u>
Income (loss) before capital contributions and transfers	<u>23,932</u>	<u>2,192,389</u>	<u>390,522</u>	<u>2,606,843</u>
Capital contributions	-	374,360	-	374,360
Change in net position	<u>23,932</u>	<u>2,566,749</u>	<u>390,522</u>	<u>2,981,203</u>
Total net position - beginning	<u>283,923</u>	<u>33,843,826</u>	<u>1,816,245</u>	<u>3,322,318</u>
Total net position - ending	<u>\$ 307,855</u>	<u>\$ 36,410,575</u>	<u>\$ 2,206,767</u>	<u>\$ 3,523,374</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				127,972
Change in net position of business-type activities				<u>\$ 3,109,175</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, 2021

	Business-type Activities - Enterprise Funds				
	Major Funds		Non-Major Fund		Equipment Reserve Internal Service Fund
	Solid Waste	Water-Sewer	Storm Water	Totals	
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 1,866,567	\$ 10,276,389	\$ 812,947	\$ 12,945,903	\$ -
Receipts from other sources	1,721	11,487	23,764	36,972	-
Receipts from interfund services provided	-	62,252	-	62,252	454,657
Payments to suppliers and service providers	(1,722,564)	(5,258,574)	(206,748)	(7,187,886)	-
Payments to employees	(9,355)	(1,699,219)	(249,060)	(1,957,634)	-
Payments for interfund services used	(98,821)	(586,751)	(109,105)	(794,677)	-
Net cash provided (used) by operating activities	27,548	2,805,584	271,798	3,104,930	454,657
<b>Cash flows from noncapital financing activities</b>					
Operating grants received	-	26,000	95,000	121,000	-
Net cash provided (used) by noncapital financing activities	-	26,000	95,000	121,000	-
<b>Cash flows from capital and related financing activities</b>					
Proceeds from capital recovery fees	-	85,435	7,658	93,093	-
Proceeds from sale of capital assets	-	-	-	-	5,747
Acquisition and construction of capital assets	-	(743,845)	(10,158)	(754,003)	(164,216)
Principal paid on capital debt	-	(627,567)	-	(627,567)	-
Interest paid on capital debt	-	(167,452)	-	(167,452)	-
Capital grants received	-	391,288	-	391,288	-
Net cash provided (used) by capital financing activities	-	(1,062,141)	(2,500)	(1,064,641)	(158,469)
<b>Cash flows from investing activities</b>					
Interest received	97	6,903	343	7,343	914
Net cash provided (used) by investing activities	97	6,903	343	7,343	914
Net increase (decrease) in cash and cash equivalents	27,645	1,776,346	364,641	2,168,632	297,102
Cash and cash equivalents, January 1	138,053	12,916,498	795,840	13,850,391	1,600,417
Cash and cash equivalents, December 31	\$ 165,698	\$ 14,692,844	\$ 1,160,481	\$ 16,019,023	\$ 1,897,519
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 23,835	\$ 2,286,439	\$ 349,454	\$ 2,659,728	\$ 203,768
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	913,126	19,939	933,065	246,088
(Increase) decrease in accounts receivable	4,570	(102,218)	6,194	(91,454)	4,801
Increase (decrease) in customer deposits	-	12,042	-	12,042	-
Increase (decrease) in accounts payable	(857)	72,988	(24,465)	47,666	-
Increase (decrease) in compensated absences	-	(500)	(2,373)	(2,873)	-
Increase (decrease) in unearned revenues	-	(1,575)	-	(1,575)	-
Increase (decrease) in pension expense	-	(374,718)	(76,951)	(451,669)	-
Total adjustments	3,713	519,145	(77,656)	445,202	250,889
Net cash provided (used) by operating activities	\$ 27,548	\$ 2,805,584	\$ 271,798	\$ 3,104,930	\$ 454,657

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, 2021**

	<u><b>Airport Custodial Fund</b></u>
<b>Assets</b>	
Cash & cash equivalents	\$ 858,928
Receivables	14,607
Other assets	<u>45,503</u>
Total assets	<u><u>919,038</u></u>
<b>Liabilities</b>	
Accounts payable	33,817
Other Liabilities	<u>218,189</u>
Total liabilities	<u><u>252,006</u></u>
<b>Net Position</b>	
Restricted for:	
Regional airport	<u>667,032</u>
Total net position	<u><u>\$ 667,032</u></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, 2021**

	<b>Airport Custodial Fund</b>
<b>Additions</b>	
Collections from regional airport tenants	\$ 194,196
Governmental grants and subsidies received	314,403
Miscellaneous	7,029
Total contributions	<u>515,628</u>
Investment earnings:	
Interest	125
Total investment earnings	<u>125</u>
Total additions	<u>515,753</u>
 <b>Deductions</b>	
Payments to vendors for airport operations	<u>448,859</u>
Total deductions	<u>448,859</u>
Change in net position	66,894
Net position - beginning	600,138
Net position - ending	<u><u>\$ 667,032</u></u>

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

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2021

**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 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 Custodial 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 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.

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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 and custodial 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 120 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.

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.

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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 *custodial fund* reports assets held for the Southwest Washington Regional Airport.

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 utility functions 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 stormwater drainage 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.

#### **D. Employee retirement systems and pension plans**

For purposes of measuring the net pension liability, net pension asset, 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



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refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the City includes the net pension asset and the related deferred outflows and deferred inflows.

**E. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance**

***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 Measured at Amortized Cost

As of December 31, 2021, the City has \$14,110,646 invested in the Washington State Treasurer's Investment Pool. These investments are reported at amortized cost. 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. The portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB for external investment pools who wish to measure all of its investments at amortized cost.

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.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

As of December 31, 2021, all of the City's Investments were in the Washington State Treasurer's Investment Pool.

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***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 are no delinquent special assessments as of December 31, 2021.

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.

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 proceeds received from customers deposits for water service are classified as restricted assets.

The restricted assets of the enterprise funds consist of \$245,309 which is cash and investments held for customer deposit refunds and \$2,838,753 which represents unspent bond proceeds earmarked for infrastructure upgrades in the water/sewer fund.

***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. Such assets are recorded at historical cost or estimated historical cost if

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purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The City recognizes a distinction between capital assets acquired prior to December 31, 2016, and those acquired/placed in service after that date. Prior to December 31, 2016, a capital asset was defined as an individual asset with an initial value in excess of \$5,000 and a useful life in excess of one year. Subsequent to December 31, 2016, the City adjusted its definition of capital assets to identify the following thresholds:

- A capital asset is defined as an individual asset with an initial value in excess of \$5,000 and a useful life in excess of one year
- Public domain infrastructure consists of general use assets with an initial value of at least \$100,000 and having a useful life of at least one year. Infrastructure typically includes streets and roads, sidewalks, curbs, gutters, and lighting.
- System infrastructure is comprised of collections, treatment, and distribution systems related to the City's utility operations with an initial value of at least \$100,000 and having a useful life of at least one year. These include water treatment and distribution, sewer collection and treatment, and storm water collection systems assets.

The adjusted thresholds for infrastructure have been applied prospectively for qualifying assets placed into service after December 31, 2016. Assets capitalized under previous thresholds will be removed from inventory once fully depreciated

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.

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 - 75
Improvements	10 - 75
Public domain infrastructure	10 - 75
System infrastructure	10 - 75
Vehicles	5 - 20
Office equipment	3 - 15
Computer equipment	3 - 10

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

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**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 assets that applies to future periods 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 assets that applies to future periods 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, comp-time, and eligible sick pay is accrued when incurred in the government-wide and proprietary 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 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.

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***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 authorized to assign fund balances and can delegate that authority to other bodies 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.

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**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.

**11. 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 \$(4,545,969) difference are as follows:

Bonds payable	\$(3,665,000)
Deferred charges/loss on issuance (to be amortized over life of debt)	23,249
Premium on G.O. Bond (to be amortized over life of debt)	(248,547)
Accrued interest payable	(10,892)
Compensated absences	(543,134)
Net asset retirement obligation	<u>(101,645)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(4,545,969)</u>

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 \$76,288,269 difference are as follows:

Capital assets used in governmental fund operations	\$104,137,223
Less: Accumulated depreciation	<u>(27,848,954)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$76,288,269</u>

Another element of that reconciliation explains that “Net Pension and Total OPEB Assets or Liabilities are not considered to represent a financial resource or liability and, therefore, are not reported in the funds. The details of this \$(2,820,527) difference are as follows:

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Total OPEB liability	\$(6,046,108)
Net pension liability	(176,940)
Net pension asset	7,436,241
Deferred inflows related to pensions	(4,764,552)
Deferred outflows related to OPEB	48,484
Deferred outflows related to pensions	<u>682,348</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(2,820,527)</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 \$1,316,731 difference are as follows:

Property taxes receivable	\$ 53,644
Court ordered fines receivable – net	104,403
Grants receivable	<u>1,158,714</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 1,316,761</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 useful lives and reported as depreciation expense.” The details of this \$6,412,486 difference are as follows:

Capital outlay	\$ 7,530,925
Depreciation expense	<u>(1,118,439)</u>
Net adjustment to increase <i>net changes in funds balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 6,412,486</u>

Another element of that reconciliation states that “Some revenues/expenditures reported in the governmental funds have already been reported in the statement of activities in prior years.” The details of this \$(5,942) difference are as follows:

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Property tax receivable	\$ 429
Court ordered fines	<u>(6,371)</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>\$ (5,942)</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 \$1,158,448 difference are as follows:

Grants receivable	<u>\$ 1,158,448</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>\$ 1,158,448</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 \$309,433 difference are as follows:

Principal repayments general obligation debt	\$ 295,000
Amortization of gain on the refunding of a bond	(3,321)
Amortization of bond premium	<u>17,754</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>\$ 309,433</u>

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 \$(108,075) difference are as follows:

Compensated absences	\$ (6,429)
Amortization of Asset Retirement Obligation	<u>(101,646)</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>\$ (108,075)</u>



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**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 biannually 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.

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 2021 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. (See pages 100-104 for budget-to-actual comparisons). 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:

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**Revenues:**

Street fund	\$ 787,723
Library fund	534,734
Kelso Station fund	73,011
Parks Fund	538,293
Facade Fund	-

**Expenditures:**

Street fund	(704,334)
Library fund	(440,282)
Kelso Station fund	(55,875)
Parks Fund	(489,008)
Facade Fund	-

Total General fund Basis difference	<u>\$ 244,262</u>
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**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.

As of December 31, 2021 the City had the following deposits and investments:

<u>Investment type</u>	<u>Maturities</u>	<u>Fair Value</u>
<b>Cash</b>		
FDIC or WPDPC insured deposits		\$ 18,696,938
In-transit items		(285,505)
Held for Custodial Fund		(739,728)
Petty cash on hand		<u>6,050</u>
<b>Total Cash</b>		<u>17,677,755</u>
<b>Investments</b>		
State Treasurer's investment pool	< 90 days	14,229,846
Held for Custodial Fund	< 90 days	<u>(119,200)</u>
<b>Total investments</b>		<u>14,110,646</u>
<b>Total Cash, Cash Equivalents, Investments</b>		<u>\$ 31,788,401</u>

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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 limits its investment choices to include the following:

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

Custodial Credit Risk – Investments

For investments, this is the risk that in the event of the failure of a depository financial institution, the City would not be able to recover deposits 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 2021, the City's investments were in the Washington State Local Government Investment Pool.

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. Further, no more than 25% of the total portfolio will be invested in obligations of the

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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	\$1,849	\$ -	\$ -	\$ -	\$ 64	\$ -	\$1,913
Accounts	214	-	318	1,555	18	158	2,263
Special Assessments	-	5	-	-	-	-	5
Intergovernmental	46	1,563	-	52	11	-	1,672
Long-term notes	-	-	-	-	299	-	299
Net total receivables	<u>\$2,109</u>	<u>\$1,568</u>	<u>\$ 318</u>	<u>\$1,607</u>	<u>\$ 392</u>	<u>\$ 158</u>	<u>\$6,152</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)	\$ 53,644	\$ -
Delinquent Court ordered fines receivable (general fund)	104,403	-
Grant received (arterial street fund)	1,158,714	-
Grant received (general fund)	-	1,734,783
Special assessments not due yet (arterial street fund)	-	5,388
Prepaid lease (non-major fund)	-	1,766
Total deferred/unearned revenue for governmental funds	<u>\$1,316,761</u>	<u>\$ 1,741,937</u>

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**C. Capital assets**

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$23,136,179	\$ -	\$ -	\$23,136,179
Construction in progress	<u>8,286,179</u>	<u>7,541,097</u>	<u>1,254,011</u>	<u>14,573,265</u>
Total capital assets, not being depreciated	31,422,358	7,541,097	1,254,011	37,709,444
Capital assets, being depreciated:				
Buildings	12,065,913	-	-	12,065,913
Improvements other than buildings	8,891,890	1,254,011	-	10,145,901
Machinery and equipment	2,735,732	154,044	70,343	2,819,433
Infrastructure	<u>43,861,208</u>	<u>-</u>	<u>279,799</u>	<u>43,581,409</u>
Total capital assets being depreciated	<u>67,554,743</u>	<u>1,408,055</u>	<u>350,142</u>	<u>68,612,656</u>
Less accumulated depreciation for:				
Buildings	5,254,065	156,579	-	5,410,644
Improvements other than buildings	3,328,721	191,624	-	3,520,345
Machinery and equipment	1,737,829	185,596	60,970	1,862,455
Infrastructure	<u>18,097,172</u>	<u>729,962</u>	<u>279,799</u>	<u>18,547,335</u>
Total accumulated depreciation	<u>28,417,787</u>	<u>1,263,761</u>	<u>340,769</u>	<u>29,340,779</u>
Total capital assets, being depreciated, net	<u>39,136,956</u>	<u>144,294</u>	<u>9,373</u>	<u>39,271,877</u>
Governmental activities capital assets, net	<u>\$70,559,314</u>	<u>\$ 7,685,391</u>	<u>\$ 1,263,384</u>	<u>\$76,981,321</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 28,712	\$ -	\$ -	\$ 28,712
Construction in progress	<u>190,513</u>	<u>838,175</u>	<u>-</u>	<u>1,028,688</u>
Total capital assets, not being depreciated	<u>219,225</u>	<u>838,175</u>	<u>-</u>	<u>1,057,400</u>
Capital assets, being depreciated:				
Buildings and structures	16,072,243	-	-	16,072,243
Improvements other than buildings	30,865,959	-	-	30,865,959
Machinery and equipment	<u>4,530,287</u>	<u>-</u>	<u>-</u>	<u>4,530,287</u>
Total capital assets being depreciated	<u>51,468,489</u>	<u>-</u>	<u>-</u>	<u>51,468,489</u>
Less accumulated depreciation for:				
Buildings and structures	3,509,573	321,378	-	3,830,951
Improvements other than buildings	13,298,273	512,802	-	13,811,075
Machinery and equipment	<u>2,588,609</u>	<u>166,051</u>	<u>-</u>	<u>2,754,660</u>
Total accumulated depreciation	<u>19,396,455</u>	<u>1,000,231</u>	<u>-</u>	<u>20,396,686</u>
Total capital assets, being depreciated, net	<u>32,072,034</u>	<u>(1,000,231)</u>	<u>-</u>	<u>31,071,803</u>
Business-type activities capital assets, net	<u>\$32,291,259</u>	<u>\$ (162,056)</u>	<u>\$ -</u>	<u>\$32,129,203</u>

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

Governmental activities:	
General government	\$ 88,380
Security of persons and property	10,763
Transportation	832,796
Culture and recreation	186,500
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>145,322</u>

Total depreciation expense – governmental activities	<u>\$1,263,761</u>
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Business-type activities:	
Water	\$ 577,566
Sewer	301,960
Storm water drainage	19,939
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>100,766</u>

Total depreciation expense – business-type activities	<u>\$1,000,231</u>
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**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of December 31, 2021 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	\$ 632,000	Roadway Improvements

**Advances to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor govt.	Arterial Street	129,004	Roadway Improvements

**Transfers:**

<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Arterial Street	370,950	Roadway Improvements
General fund	Nonmajor govt.	<u>111,854</u>	Routine operating
<b>Sub-Total</b>		482,804	

Nonmajor govt.	General Fund	60,000	Nuisance abatement
	Nonmajor govt.	20,000	Routine operating
	Nonmajor govt.	<u>433,100</u>	Debt service

<b>Sub-Total</b>		513,100	
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<b>Total</b>		<u>\$ 995,904</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 \$5,910,000. 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%	\$1,280,000
Governmental activities – Roadway improvements	2.00% – 4.00%	<u>2,385,000</u>
		<u>\$3,665,000</u>

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

<u>Year ending December 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 305,000	\$ 130,698
2023	310,000	122,535
2024	320,000	114,210
2025	335,000	104,660
2026	335,000	94,630
2027-2031	1,250,000	289,790
2032-2036	<u>810,000</u>	<u>82,600</u>
Total	<u>\$3,665,000</u>	<u>\$ 939,123</u>

The City of Kelso has been awarded two Drinking Water State Revolving Fund Loans (DWSRF) in the amount of \$6,029,850 for the replacement of a reservoir and the addition of a transmission line associated with the reservoir and for the reconstruction of the 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>
2001 DWSRF – \$1,500,000	Business-type activities	1.50%	\$ 79,592
2016 DWSRF – \$4,529,850	Business-type activities	1.50%	<u>3,569,619</u>
Total government loans			<u>\$3,649,211</u>

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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>
2022	334,565	54,738
2023	254,973	49,720
2024	254,973	45,895
2025	254,973	42,071
2026	254,973	38,246
2027-2031	1,274,863	133,861
2032-2036	<u>1,019,891</u>	<u>38,245</u>
Total	<u>\$3,649,211</u>	<u>\$ 402,776</u>

Revenue bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$5,405,000. 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 6.84 to 1 coverage. See page 131.

Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water/Sewer Refunding and Improvements	2.25 - 3.00%	<u>\$5,095,000</u>
		<u>\$5,095,000</u>

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>
2022	\$ 315,000	\$ 150,188
2023	325,000	140,737
2024	340,000	130,988
2025	345,000	120,787
2026	360,000	110,438
2027-2031	1,945,000	384,488
2032-2036	775,000	161,437
2037-2041	<u>690,000</u>	<u>43,162</u>
Total	<u>\$5,095,000</u>	<u>\$1,242,225</u>



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Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,960,000	\$ -	\$ 295,000	\$ 3,665,000	\$ 305,000
G.O. bond premium	266,301	-	17,754	248,547	-
Compensated absences	536,705	543,134	536,705	543,134	135,784
Net Pension liability	655,056	-	478,116	176,940	-
Total OPEB liability	5,916,821	416,323	287,036	6,046,108	126,000
Asset retirement obligations	<u>203,291</u>	<u>-</u>	<u>-</u>	<u>203,291</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$11,538,174</u>	<u>\$ 959,457</u>	<u>\$1,614,611</u>	<u>\$10,883,020</u>	<u>\$ 566,784</u>
Revenue bonds	\$ 5,405,000	\$ -	\$ 310,000	\$ 5,095,000	\$ 315,000
Revenue bond premium	539,585	-	27,092	512,493	-
Drinking Water State					
Revolving Fund	3,966,778	-	317,567	3,649,211	334,565
Compensated absences	91,517	88,644	91,517	88,644	22,161
Net Pension liability	455,208	-	357,822	97,386	-
Asset retirement obligations	<u>235,200</u>	<u>100,000</u>	<u>-</u>	<u>335,200</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$10,693,288</u>	<u>\$ 188,644</u>	<u>\$ 1,103,998</u>	<u>\$ 9,777,934</u>	<u>\$ 671,726</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.

Other Debt Disclosures

The City recognizes a liability relative to GASB Statement No. 83 pertaining to the eventual disposition of underground fuel storage tanks located at the Southwest Washington Regional Airport and various sewage treatment plants throughout the City. The City has also recognized a liability for the eventual disposition of one of its wells. These obligations, imposed by the Washington State Department of Ecology under the requirements of WAC 173-360A-0810, were estimated through consulting professionals and or the City Engineer. The remaining useful life of these asset/obligations range from 1 to 10 years and there are no legally required funding or assurance provisions associated with the obligations. As a result, a liability of \$335,200 has been recorded in the proprietary fund financial statements and a liability of \$538,491 has been recorded in the government-wide financial statements.

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**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.

**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 166 members.

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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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, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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

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, 2021, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is

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actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and 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, 2021 was \$427,093. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employer's 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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.

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The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for fiscal year ending December 31, 2018. 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.

**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:

2021	\$11,743
2020	\$16,798
2019	\$ 3,682

**B. Property Taxes**

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

<u>Property Tax Calendar</u>	
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.

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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.

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 2021 was \$1.4683 per \$1,000 on an assessed valuation of \$1,095,923,749 for a total regular levy of \$1,609,180.

#### **C. COVID-19 Pandemic**

In February, 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

Because of the pandemic the City has realized reductions in admissions, lodging, and fuel taxes, as well as interest from investments. However, these reductions were not substantial in 2021 and were offset from business and sales taxes received due to the above normal construction activity that occurred within the City in 2021.

At this time, the full extent of any future financial impact on the City is unknown.

#### **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.

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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. Joint Municipal Utility Services Authority**

**Three Rivers Regional Waste Water Authority**

The City of Kelso entered into an interlocal agreement with Cowlitz County, the City of Longview and Beacon Hill Sewer District in 1996 to form the Three Rivers Regional Waste Water Authority (TRRWA). The TRRWA is governed by a four-member board, one from each entity, and was established to provide sewage treatment services to the citizenry of the respective participating entities. Financing of the central sewage facility is funded based on each participant's proportionate share of flow to the facility along with additional funds forwarded from the participants as system development charges are assessed to new customers. During 2021, The City of Kelso paid TRRWA a total of \$2,348,499. This agreement may not be terminated as long as there are debt obligations of the TRRWA. Upon termination, each participant's interest in the net position shall be equal to their proportionate share of payments over the previous 12 calendar months. The City does not have an equity interest in the TRRWA beyond the termination agreement. Financial statements for the TRRWA can be obtained from the City of Longview at, 1525 Broadway, Longview, WA 98632.

**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 four-member board made up of an appointed representative from each jurisdiction.

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. Payments made to the airport by the City in 2021, were \$76,000.

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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, 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, 2021, the City's ongoing financial responsibility is minimal. In addition, the airport has no 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. Related Party**

In January, 2019, the Cowlitz 911 Public Authority was formed to facilitate the public function of providing 911 emergency and non-emergency communications and dispatch services including an emergency communications system, and perform other system related functions. Representatives from the cities of Longview and Kelso, Longview police and fire, Cowlitz 2 Fire and Rescue, Cowlitz County Sheriff, a county commissioner, and representatives from small fire and police agencies make up the nine-member Board of Directors that oversee the center. The City of Kelso contributed \$195,787 toward the costs of services provided by Cowlitz 911 in 2021. Financial statements for Cowlitz 911 may be obtained by inquiry through the Cowlitz County Auditor's Office at 207 North Fourth Avenue, Kelso, WA 98626.

#### **H. Other Post Employment Benefits (OPEB)**

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

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of the GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year 2021:

<b>Aggregate Pension Amounts – All Plans</b>	
OPEB liabilities	\$ (6,046,108)
Deferred outflows of resources	\$ 48,484
OPEB expenditures	\$ 234,099

*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 retirees. As of December 31, 2021 there are 12 LEOFF 1 retirees covered by the benefit terms. There are no active employees



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or inactive employees not receiving benefits covered under this plan. This plan was closed to new entrants on October 1, 1977.

*Benefits provided.* 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 the eligible age for Medicare, the City requires the retirees to apply for and utilize Medicare Part B coverage.

*Funding Policy.* Employer contributions are financed on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$93,938 were recognized for post-retirement health care.

*Total OPEB Liability.* The City has elected to calculate the total OPEB liability using the alternative measurement method permitted by GASB Statement 75 for employers with plans that have fewer than one hundred total plan members. The City's total OPEB liability of \$6,046,108 was measured as of June 30, 2021, and was determined using the entry age valuation method on that date.

*Valuation assumptions and other inputs.* The total OPEB liability in the June 30, 2021 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. Unless noted otherwise, assumptions and inputs are consistent with the 2020 LEOFF 1 OPEB Actuarial Valuation Report published by the Washington State Actuary's Office:

- **Inflation:** 2.75 percent
- **Discount rate:** 2.16 percent
- **Healthcare cost trend rates:** Initial medical costs rate is approximately 5.3% and trends down to about 5.0% in the 2020's. Long-term care is 4.5%. Medicare Part B premiums is approximately 5.0%, varies by year.

A 2.75% general inflation rate was used based on the CPI for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bremerton, WA – All Items.

The discount rate is based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2000 Mortality Table for males with adjustments for mortality improvements based on Scale BB.

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**Sensitivity of the Total OPEB Liability**

*Healthcare Cost Trend Rate.* The following presents the total OPEB liability of the City of Kelso calculated using the current healthcare cost trend rate of 5.3 percent, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.3%) or 1-percentage point higher (6.3%) than the current rate.

	1% Decrease (4.3%)	Current Healthcare Cost Trend Rate (5.3%)	1% Increase (6.3%)
Total OPEB Liability	\$5,474,435	\$6,046,108	\$6,706,672

*Discount Rate.* The following presents the total OPEB liability of the City of Kelso calculated using the current discount rate of 2.16 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate.

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$6,760,557	\$6,046,108	\$5,443,363

**Change in the Total OPEB Liability**

	Total OPEB Liability
Balance at 6/30/2020	<u>\$ 5,916,821</u>
Changes for the year:	
Interest cost	127,607
Changes in Experience Data and Assumptions	288,716
Estimated Benefit payments	<u>(287,036)</u>
Net changes	<u>129,287</u>
Balance at 6/30/2021	<u>\$ 6,046,108</u>

Changes in experience data and assumptions reflect a change in the discount rate from 3.87 percent in 2018 to 2.21 percent in 2020 and 2.16 percent in 2021. In addition, Recent federal legislation H.R. 1865, also referred to as the Further Consolidations Appropriations Act of 2020, repealed the excise or "Cadillac" tax from the Patient Protection and Affordable Care Act. It is estimated that the exclusion of the excise tax will on average reduce OPEB liabilities by roughly 6 percent.

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Deferred outflows of resources of \$48,484 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

**I. Employee retirement systems and pension plans**

The following table represents the aggregate pension amounts for all plans for the year 2021:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ (274,326)
Pension assets	\$ 8,586,608
Deferred outflows of resources	\$ 847,361
Deferred inflows of resources	\$ (5,984,992)
Pension expense/expenditures	\$ (1,398,775)

**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 comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

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

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

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benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	-
Administrative Fee	.18%	-
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	.18%	-
<b>Total</b>	<b>10.25%</b>	<b>6.00%</b>

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

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<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	-
Administrative Fee	.18%	-
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	-
Administrative Fee	.18%	-
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.25%</b>	<b>6.36%</b>

The City's actual plan contributions were \$142,423 to PERS Plan 1 and \$237,013 to PERS Plan 2/3 for the year ended December 31, 2021.

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

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

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

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

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

#### Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required

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employer or employee contributions for fiscal year 2021. 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	.18%	-
<b>Total</b>	<b>5.33%</b>	<b>8.59%</b>
July – December 2021		
January – June 2021	5.12%	8.53%
Administrative Fee	.18%	-
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>

The City's actual contributions to the plan were \$140,215 for the year ended December 31, 2021.

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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, 2021, the State contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$97,656.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary



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below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.4 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### **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, 2021, 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.

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Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	<u>23%</u>	9.30%
	<b>100%</b>	

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

The table below presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 467,329	\$ 274,326	\$ 106,007
PERS 2/3	(819,293)	(2,875,917)	(4,569,547)
LEOFF 1	(1,170,252)	(1,299,898)	(1,412,064)
LEOFF 2	(2,781,449)	(4,410,793)	(5,744,901)

**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, 2021, the City reported a total pension liability of \$274,326 for its proportionate share of the net pension liabilities as follows:

	<u>Liability (or Asset)</u>
PERS 1	\$ 274,326
PERS 2/3	\$ (2,875,917)
LEOFF 1	\$ (1,299,898)
LEOFF 2	\$ (4,410,793)

The amount of the assets reported above for the LEOFF Plan's reflect reductions for State pension support provided to the City. The amount recognized by the City as its

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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:

	<u>LEOFF 1 Asset</u>
LEOFF 1 – employer’s proportionate share	\$ (1,299,898)
LEOFF 1 – State’s proportionate share of the net pension liability/(asset) associated with the employer	<u>(8,792,478)</u>
TOTAL	<u>\$ (10,092,376)</u>

	<u>LEOFF 2 Asset</u>
LEOFF 2 – employer’s proportionate share	\$ (4,410,794)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	<u>(2,845,443)</u>
TOTAL	<u>\$ (7,256,237)</u>

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

Plan	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	% .021408	% .022463	% .001055
PERS 2/3	.027714	.028870	.001156
LEOFF 1	.040699	.037947	(.002752)
LEOFF 2	.067139	.075938	.008799

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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.

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In fiscal year 2021, the State of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

**Pension Expense**

For the year ended December 31, 2021, the City recognized pension expense as follows:

<b>Plan</b>	<b>Pension Expense</b>
PERS 1	\$ (26,088)
PERS 2/3	(665,098)
LEOFF 1	(142,134)
LEOFF 2	<u>(565,455)</u>
<b>TOTAL</b>	<b><u>\$(1,398,775)</u></b>

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

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (304,410)
Contributions subsequent to the measurement date	<u>61,501</u>	<u>-</u>
<b>TOTAL PERS Plan 1</b>	<b><u>\$ 61,501</u></b>	<b><u>\$ (304,410)</u></b>
<b>PERS Plan 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 139,679	\$ (35,256)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,403,592)
Changes of assumptions	4,203	(204,238)
Changes in proportion and differences between contributions and proportionate share of contributions	101,738	(103,602)
Contributions subsequent to the measurement date	<u>105,410</u>	<u>-</u>
<b>TOTAL PERS Plan 2</b>	<b><u>\$ 351,030</u></b>	<b><u>\$ (2,746,688)</u></b>

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<b>LEOFF Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ _____ -	\$ (397,199)
<b>TOTAL LEOFF Plan 1</b>	<b>\$ _____ -</b>	<b>\$ (397,199)</b>
<b>LEOFF Plan 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 200,057	\$ (23,311)
Net difference between projected and actual investment earnings on pension plan investments	-	(2,103,097)
Changes in assumptions	1,907	(209,778)
Changes in proportion and differences between contributions and proportionate share of contributions	161,516	(200,509)
Contributions subsequent to the measurement date	<u>71,350</u>	<u>-</u>
<b>TOTAL LEOFF Plan 2</b>	<b>\$ <u>434,830</u></b>	<b>\$ <u>(2,536,695)</u></b>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>	<b>PERS 2/3</b>	<b>LEOFF 1</b>	<b>LEOFF 2</b>
2022	\$ (80,638)	\$ (650,054)	\$ (105,510)	\$ (563,850)
2023	(73,894)	(606,870)	(96,509)	(525,597)
2024	(69,870)	(589,539)	(91,065)	(496,696)
2025	(80,008)	(652,564)	(104,115)	(558,935)
2026	-	(6,559)	-	(10,495)
Thereafter	<u>-</u>	<u>4,518</u>	<u>-</u>	<u>(17,642)</u>
<b>Total</b>	<b>\$ (304,410)</b>	<b>\$ (2,501,068)</b>	<b>\$ (397,199)</b>	<b>\$ (2,173,215)</b>

#### **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 six 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

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plan. All future obligations of the Firemen's Pension Fund were assumed by the State pension system, LEOFF.

The Fireman's Pension Fund cash and investment balance consists of \$629,349 with the investment portion held in the State investment pool as of December 31, 2021.

A recent actuarial survey has not been done because annual benefits are approximately \$52,000 and the of cash available to pay pension benefits is over \$629,000 and the average age of current retirees is 83. 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 2021, the City also received on behalf payments from taxes on fire insurance premiums in the amount of \$14,222.

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# Required Supplementary Information

## City of Kelso Schedule of Employer Contributions Public Employees Retirement System Plan 1 As of December 31, 2021 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>
Statutorily required contributions	\$ 119,722	\$ 135,433	\$ 149,623	\$ 165,771	\$ 164,182	\$ 148,333	\$ 142,423
Contributions in relation to the statutorily required contributions***	<u>(119,722)</u>	<u>(135,433)</u>	<u>(149,623)</u>	<u>(165,771)</u>	<u>(164,182)</u>	<u>(148,333)</u>	<u>(142,423)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$2,653,280	\$2,824,028	\$3,053,518	\$3,274,719	\$3,319,903	\$3,092,506	\$3,317,887
Contributions as a percentage of employee payroll	4.51%	4.80%	4.90%	5.06%	4.95%	4.80%	4.29%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

\*\* Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\* Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAL.



# Required Supplementary Information

## City of Kelso Schedule of Employer Contributions Public Employees Retirement System Plan 2/3 As of December 31, 2021 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>
Statutorily required contributions	\$ 146,061	\$ 175,210	\$ 209,473	\$ 244,652	\$ 256,283	\$ 244,927	\$ 237,013
Contributions in relation to the statutorily required contributions***	<u>(146,061)</u>	<u>(175,210)</u>	<u>(209,473)</u>	<u>(244,652)</u>	<u>(256,283)</u>	<u>(244,927)</u>	<u>(237,013)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$2,593,780	\$2,812,358	\$3,053,518	\$3,274,719	\$3,319,903	\$3,092,506	\$3,317,887
Contributions as a percentage of covered payroll	5.63%	6.23%	6.86%	7.47%	7.72%	7.92%	7.14%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

\*\* Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\* Contributions are actual employer contributions to the plan.

# Required Supplementary Information

## City of Kelso Schedule of Employer Contributions Law Enforcement Officers and Fire Fighters Retirement Plan 2 As of December 31, 2021 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>
Statutorily required contributions	\$ 110,458	\$ 121,594	\$ 128,018	\$ 131,270	\$ 134,931	\$ 136,101	\$ 140,215
Contributions in relation to the statutorily required contributions***	<u>(110,458)</u>	<u>(121,594)</u>	<u>(128,018)</u>	<u>(131,270)</u>	<u>(134,931)</u>	<u>(136,101)</u>	<u>(140,215)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$2,187,286	\$2,407,794	\$2,485,109	\$2,452,607	\$2,541,980	\$2,599,613	\$2,682,185
Contributions as a percentage of covered payroll	5.05%	5.05%	5.15%	5.35%	5.31%	5.24%	5.23%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

\*\* Covered payroll is the payroll on which contributions to a pension plan are based.

\*\*\* Contributions are actual employer contributions to the plan.

## Required Supplementary Information

### City of Kelso Schedule of Proportionate Share of the Net Pension Liability (Asset) Public Employees Retirement System Plan 1 As of June 30, 2021 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>
Employer's proportion of the net pension liability (asset)	0.023210%	0.022776%	0.023545%	0.025809%	0.021371%	0.021408%	0.022463%
Employer's proportionate share of the net pension liability (asset)	<u>\$1,214,089</u>	<u>\$1,223,179</u>	<u>\$1,117,229</u>	<u>\$1,152,639</u>	<u>\$ 821,791</u>	<u>\$ 755,818</u>	<u>\$ 274,326</u>
Total	<u>\$1,214,089</u>	<u>\$1,223,179</u>	<u>\$1,117,229</u>	<u>\$1,152,639</u>	<u>\$ 821,791</u>	<u>\$ 755,818</u>	<u>\$ 274,326</u>
Employer's covered payroll	\$2,609,568	\$2,691,098	\$2,986,773	\$3,190,174	\$3,276,484	\$3,213,903	\$3,198,419
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	46.52%	45.45%	37.41%	36.13%	25.08%	23.52%	8.58%
Plan fiduciary net position as a percentage of the total pension liability (asset)	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

## Required Supplementary Information

### City of Kelso Schedule of Proportionate Share of the Net Pension Liability (Asset) Public Employees Retirement System Plan 2/3 As of June 30, 2021 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>
Employer's proportion of the net pension liability (asset)	0.028465%	0.028007%	0.030285%	0.033002%	0.027583%	0.027714%	0.028870%
Employer's proportionate share of the net pension liability (asset)	<u>\$1,017,071</u>	<u>\$1,410,130</u>	<u>\$1,052,259</u>	<u>\$ 563,480</u>	<u>\$ 267,925</u>	<u>\$ 354,446</u>	<u>\$(2,875,917)</u>
Total	<u>\$1,017,071</u>	<u>\$1,410,130</u>	<u>\$1,052,259</u>	<u>\$ 563,480</u>	<u>\$ 267,925</u>	<u>\$ 354,446</u>	<u>\$(2,875,917)</u>
Employer's covered payroll	\$2,549,530	\$2,649,405	\$2,986,773	\$3,190,174	\$3,276,484	\$3,213,903	\$ 3,198,419
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	39.89%	53.22%	35.23%	17.66%	8.18%	11.03%	89.92%
Plan fiduciary net position as a percentage of the total pension liability (asset)	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

# Required Supplementary Information

## City of Kelso Schedule of Proportionate Share of the Net Pension Liability (Asset) Law Enforcement Officers and Fire Fighters Retirement Plan 1 As of June 30, 2021 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>
Employer's proportion of the net pension liability (asset)	0.042208%	0.042555%	0.041694%	0.042411%	0.041496%	0.040699%	0.037947%
Employer's proportionate share of the net pension liability (asset)	\$ (608,700)	\$ (438,438)	\$ (632,590)	\$ (769,973)	\$ (820,215)	\$ (768,604)	\$ (1,299,898)
State's proportionate share of the net pension liability (asset) associated with the employer**	\$ -	\$ -	\$ -	\$(5,208,075)	\$(5,547,911)	\$(5,198,820)	\$(8,792,478)
Total	<u>\$ (508,700)</u>	<u>\$ (438,438)</u>	<u>\$ (632,590)</u>	<u>\$(5,978,048)</u>	<u>\$(6,368,126)</u>	<u>\$(5,967,424)</u>	<u>\$(10,092,376)</u>
Employer's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.36%	123.74%	135.96%	144.42%	148.78%	146.88%	187.45%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

\*\* Information not available prior to 2018

## Required Supplementary Information

City of Kelso  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
Law Enforcement Officers and Fire Fighters Retirement Plan 2  
As of June 30, 2021  
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>
Employer's proportion of the net pension liability (asset)	0.072184%	0.075802%	0.077629%	0.082534%	0.066839%	0.067139%	0.075938%
Employer's proportionate share of the net pension liability (asset)	\$ (742,010)	\$ (440,887)	\$ (1,077,239)	\$ (1,675,620)	\$ (1,548,454)	\$ (1,369,538)	\$ (4,410,793)
State's proportionate share of the net pension liability (asset) associated with the employer	<u>\$ (490,624)</u>	<u>\$ (287,426)</u>	<u>\$ (698,785)</u>	<u>\$ (1,084,932)</u>	<u>\$ (1,014,030)</u>	<u>\$ (875,716)</u>	<u>\$ (2,845,443)</u>
Total	<u>\$ (1,232,634)</u>	<u>\$ (728,313)</u>	<u>\$ (1,776,024)</u>	<u>\$ (2,760,552)</u>	<u>\$ (2,562,484)</u>	<u>\$ (2,245,254)</u>	<u>\$ (7,256,236)</u>
Employer's covered payroll	\$ 2,120,860	\$ 2,294,917	\$ 2,439,577	\$ 2,503,122	\$ 2,495,368	\$ 2,522,992	\$ 2,655,371
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	34.99%	19.21%	44.18%	66.94%	62.05%	54.28%	166.11%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%

This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

\* Information not available prior to 2015

# **Required Supplementary Information**

## **City of Kelso Schedule of Changes in OPEB Liability and Related Ratios As of June 30, 2021 Last Ten Fiscal Years**

	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>Fiscal Year</u> <u>2021</u>
Total OPEB liability				
Interest	\$ 213,947	\$ 223,278	\$ 216,071	\$ 127,607
Changes in experience data and assumptions	(187,842)	450,600	(308,016)	288,716
Estimated benefit payments	<u>(251,437)</u>	<u>(214,013)</u>	<u>(326,559)</u>	<u>(287,036)</u>
Net change in total OPEB liability	(225,332)	459,865	(418,504)	129,287
Total OPEB liability - beginning	<u>6,100,792</u>	<u>5,875,460</u>	<u>6,335,325</u>	<u>5,916,821</u>
Net OPEB liability - Ending	<u>\$ 5,875,460</u>	<u>\$ 6,335,325</u>	<u>\$ 5,916,821</u>	<u>\$ 6,046,108</u>
Covered employee payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total OPEB liability, as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Note: The amounts presented for each fiscal year were determined as of June 30. Additional years will be added to the schedule as information becomes available.

**CITY OF KELSO  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

Other Postemployment Benefits Other Than Pensions

Changes in experience data and assumptions reflect a change in the discount rate from 3.87 percent in 2018 to 2.21 percent in 2020 and 2.16 percent in 2021. In addition, Recent federal legislation H.R. 1865, also referred to as the Further Consolidations Appropriations Act of 2020, repealed the excise or "Cadillac" tax from the Patient Protection and Affordable Care Act. It is estimated that the exclusion of the excise tax will on average reduce OPEB liabilities by roughly 6 percent.

Deferred outflows of resources of \$48,484 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits for the OPEB plan.



## **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.

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 and roadway improvement 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, 2021**

	Special Revenue					
	Paths/ Trails	Stadium	Highlander Festival	HUD Block Grant	Criminal Justice	Transportation Benefit District
<b>Assets</b>						
Cash & cash equivalents	\$ 6,691	\$ 176,433	\$ 11,152	\$ 340,605	\$ 26,578	\$ 67,676
Receivables (net)						
Accounts	-	-	-	5,758	-	12,415
Assessments/taxes	-	28,182	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	10,607	-
Advances to other funds	-	-	-	-	-	-
Long-term notes receivable	-	-	-	299,313	-	-
Total Assets	<u>6,691</u>	<u>204,615</u>	<u>11,152</u>	<u>645,676</u>	<u>37,185</u>	<u>80,091</u>
<b>Liabilities</b>						
Accounts payable	-	5,309	-	-	3,063	-
Unearned revenue	-	1,766	-	-	-	-
Total Liabilities	<u>-</u>	<u>7,075</u>	<u>-</u>	<u>-</u>	<u>3,063</u>	<u>-</u>
<b>Fund Balances</b>						
Restricted for:						
Paths and trails	6,691	-	-	-	-	-
Promotion of tourism	-	142,340	-	-	-	-
Housing/neighborhood rehabilitation	-	-	-	258,939	-	-
Street maintenance/construction	-	-	-	-	-	80,091
Capital projects	-	-	-	-	-	-
Assigned to:						
Debt service	-	-	-	-	-	-
Other purposes	-	55,200	11,152	386,737	34,122	-
Total Fund Balance	<u>6,691</u>	<u>197,540</u>	<u>11,152</u>	<u>645,676</u>	<u>34,122</u>	<u>80,091</u>
Total Liabilities and Fund Balances	<u>\$ 6,691</u>	<u>\$ 204,615</u>	<u>\$ 11,152</u>	<u>\$ 645,676</u>	<u>\$ 37,185</u>	<u>\$ 80,091</u>

**City of Kelso**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2021**

	Total Non-Major Special Revenue Funds	Debt Service Non Voted G.O. Bond	Capital projects City Hall Fund	Total Non-Major Governmental Funds
<b>Assets</b>				
Cash & cash equivalents	\$ 629,135	\$ 1,503,143	\$ 285,933	\$ 2,418,211
Receivables (net)				
Accounts	18,173	-	-	18,173
Assessments/taxes	28,182	-	35,379	63,561
Due from other funds	-	632,000	-	632,000
Due from other governments	10,607	-	-	10,607
Advances to other funds	-	129,004	-	129,004
Long-term notes receivable	299,313	-	-	299,313
Total Assets	<u>985,410</u>	<u>2,264,147</u>	<u>321,312</u>	<u>3,570,869</u>
<b>Liabilities</b>				
Accounts payable	8,372	-	-	8,372
Unearned revenue	1,766	-	-	1,766
Total Liabilities	<u>10,138</u>	<u>-</u>	<u>-</u>	<u>10,138</u>
<b>Fund Balances</b>				
Restricted for:				
Paths and trails	6,691	-	-	6,691
Promotion of tourism	142,340	-	-	142,340
Housing/neighborhood rehabilitation	258,939	-	-	258,939
Street maintenance/construction	80,091	-	-	80,091
Capital projects	-	-	321,312	321,312
Assigned to:				
Debt service	-	2,264,147	-	2,264,147
Other purposes	487,211	-	-	487,211
Total Fund Balance	<u>975,272</u>	<u>2,264,147</u>	<u>321,312</u>	<u>3,560,731</u>
Total Liabilities and Fund Balances	<u>\$ 985,410</u>	<u>\$ 2,264,147</u>	<u>\$ 321,312</u>	<u>\$ 3,570,869</u>

**City of Kelso**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the fiscal year ended December 31, 2021**

	Special Revenue					
	Paths and Trails	Stadium	Highlander Festival	Hud Block Grant	Criminal Justice	Transportation Benefit District
<b>Revenues</b>						
Taxes	\$ -	\$ 190,425	\$ -	\$ -	\$ -	\$ 204,237
Intergovernmental	1,182	-	-	-	179,382	-
Charges for services	-	-	13,939	-	-	-
Investment earnings	-	52	-	310	27	-
Contributions	-	-	1,120	-	-	-
Rental/lease income	-	10,920	-	-	-	-
Miscellaneous	-	56	491	-	600	-
Total revenues	<u>1,182</u>	<u>201,453</u>	<u>15,550</u>	<u>310</u>	<u>180,009</u>	<u>204,237</u>
Security of persons and property	-	-	-	-	298,941	-
Culture and recreation	-	75,881	34,870	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>75,881</u>	<u>34,870</u>	<u>-</u>	<u>298,941</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,182</u>	<u>125,572</u>	<u>(19,320)</u>	<u>310</u>	<u>(118,932)</u>	<u>204,237</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	20,000	-	70,000	-
Transfers out	-	(20,000)	-	(60,000)	-	(221,600)
Total other financing sources (uses)	<u>-</u>	<u>(20,000)</u>	<u>20,000</u>	<u>(60,000)</u>	<u>70,000</u>	<u>(221,600)</u>
Net change in fund balances	<u>1,182</u>	<u>105,572</u>	<u>680</u>	<u>(59,690)</u>	<u>(48,932)</u>	<u>(17,363)</u>
Fund balances - beginning	<u>5,509</u>	<u>91,968</u>	<u>10,472</u>	<u>705,366</u>	<u>83,054</u>	<u>97,454</u>
Fund balances - ending	<u>\$ 6,691</u>	<u>\$ 197,540</u>	<u>\$ 11,152</u>	<u>\$ 645,676</u>	<u>\$ 34,122</u>	<u>\$ 80,091</u>

**City of Kelso**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the fiscal year ended December 31, 2021**

	Total Non-Major Special Revenue Funds	Debt Service Non-Voted G.O. Bond	Capital Projects City Hall Fund	Total Non-Major Governmental Funds
<b>Revenues</b>				
Taxes	\$ 394,662	\$ -	\$ 270,147	\$ 664,809
Intergovernmental	180,564	-	-	180,564
Charges for services	13,939	-	-	13,939
Investment earnings	389	1,249	227	1,865
Contributions	1,120	-	-	1,120
Rental/lease income	10,920	-	-	10,920
Miscellaneous	1,147	37,669	-	38,816
Total revenues	<u>602,741</u>	<u>38,918</u>	<u>270,374</u>	<u>912,033</u>
Security of persons and property	298,941	-	-	298,941
Culture and recreation	110,751	-	-	110,751
Debt service:				
Principal	-	295,000	-	295,000
Interest and fiscal charges	-	138,638	-	138,638
Total expenditures	<u>409,692</u>	<u>433,638</u>	<u>-</u>	<u>843,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>193,049</u>	<u>(394,720)</u>	<u>270,374</u>	<u>68,703</u>
<b>Other financing sources (uses)</b>				
Transfers in	90,000	433,100	-	523,100
Transfers out	(301,600)	-	(211,500)	(513,100)
Total other financing sources (uses)	<u>(211,600)</u>	<u>433,100</u>	<u>(211,500)</u>	<u>10,000</u>
Net change in fund balances	(18,551)	38,380	58,874	78,703
Fund balances - beginning	993,823	2,225,767	262,438	3,482,028
Fund balances - ending	<u>\$ 975,272</u>	<u>\$ 2,264,147</u>	<u>\$ 321,312</u>	<u>\$ 3,560,731</u>

**City of Kelso**  
**Street Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 487,050	\$ 487,050	\$ 487,050	\$ -
Intergovernmental	266,000	266,000	256,642	(9,358)
Charges for services	8,000	8,000	3,011	(4,989)
Investment earnings	1,000	1,000	464	(536)
Rental/lease income	22,000	22,000	21,950	(50)
Miscellaneous	15,000	15,000	18,606	3,606
Total revenues	<u>799,050</u>	<u>799,050</u>	<u>787,723</u>	<u>(11,327)</u>
<b>Expenditures</b>				
Transportation	<u>889,050</u>	<u>889,050</u>	<u>704,334</u>	<u>184,716</u>
Total expenditures	<u>889,050</u>	<u>889,050</u>	<u>704,334</u>	<u>184,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,000)</u>	<u>(90,000)</u>	<u>83,389</u>	<u>173,389</u>
Net change in fund balances	(90,000)	(90,000)	83,389	173,389
Fund balances - beginning	682,712	682,712	682,712	-
Fund balances - ending	<u>\$ 592,712</u>	<u>\$ 592,712</u>	<u>\$ 766,101</u>	<u>\$ 173,389</u>

**City of Kelso**  
**Library Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 534,697	\$ 534,697	\$ 534,697	\$ -
Charges for services	5,800	5,800	-	(5,800)
Fines	2,400	2,400	-	(2,400)
Investment earnings	100	100	37	(63)
Miscellaneous	50	50	-	(50)
Total revenues	<u>543,047</u>	<u>543,047</u>	<u>534,734</u>	<u>(8,313)</u>
<b>Expenditures</b>				
Culture and recreation	<u>643,047</u>	<u>643,047</u>	<u>440,282</u>	<u>202,765</u>
Total expenditures	<u>643,047</u>	<u>643,047</u>	<u>440,282</u>	<u>202,765</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>94,452</u>	<u>194,452</u>
Net change in fund balances	<u>(100,000)</u>	<u>(100,000)</u>	<u>94,452</u>	<u>194,452</u>
Fund balances - beginning	<u>263,996</u>	<u>263,996</u>	<u>263,996</u>	<u>-</u>
Fund balances - ending	<u>\$ 163,996</u>	<u>\$ 163,996</u>	<u>\$ 358,448</u>	<u>\$ 194,452</u>

**City of Kelso**  
**Kelso Station Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Investment earnings	\$ 100	\$ 100	\$ 14	\$ (86)
Rental/lease income	23,846	23,846	29,149	5,303
Miscellaneous	200	200	1,994	1,794
Total revenues	<u>24,146</u>	<u>24,146</u>	<u>31,157</u>	<u>7,011</u>
<b>Expenditures</b>				
Transportation	<u>66,000</u>	<u>66,000</u>	<u>55,875</u>	<u>10,125</u>
Total expenditures	<u>66,000</u>	<u>66,000</u>	<u>55,875</u>	<u>10,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,854)</u>	<u>(41,854)</u>	<u>(24,718)</u>	<u>17,136</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>41,854</u>	<u>41,854</u>	<u>41,854</u>	<u>-</u>
Total other financing sources (uses)	<u>41,854</u>	<u>41,854</u>	<u>41,854</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>17,136</u>	<u>17,136</u>
Fund balances - beginning	<u>24,714</u>	<u>24,714</u>	<u>24,714</u>	<u>-</u>
Fund balances - ending	<u>\$ 24,714</u>	<u>\$ 24,714</u>	<u>\$ 41,850</u>	<u>\$ 17,136</u>



**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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 335,275	\$ 455,575	\$ 455,575	\$ -
Intergovernmental	-	-	10,322	10,322
Charges for services	5,000	5,000	12,005	7,005
Investment earnings	100	100	-	(100)
Rental/lease income	50,000	50,000	47,913	(2,087)
Miscellaneous	15,000	15,000	12,478	(2,522)
Total revenues	<u>405,375</u>	<u>525,675</u>	<u>538,293</u>	<u>12,618</u>
<b>Expenditures</b>				
Culture and recreation	380,775	398,075	377,814	20,261
Capital outlay	24,600	127,600	111,194	16,406
Total expenditures	<u>405,375</u>	<u>525,675</u>	<u>489,008</u>	<u>36,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>49,285</u>	<u>49,285</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>49,285</u>	<u>49,285</u>
Fund balances - beginning	65,040	65,040	65,040	-
Fund balances - ending	<u>\$ 65,040</u>	<u>\$ 65,040</u>	<u>\$ 114,325</u>	<u>\$ 49,285</u>

**City of Kelso**  
**Façade Improvement Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Budget</u>
<b>Revenues</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	473	473	473	-
Fund balances - ending	<u>\$ 473</u>	<u>\$ 473</u>	<u>\$ 473</u>	<u>\$ -</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 1,300	\$ 1,300	\$ 1,182	\$ (118)
Investment earnings	5	5	-	(5)
Total revenues	<u>1,305</u>	<u>1,305</u>	<u>1,182</u>	<u>(123)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,305</u>	<u>1,305</u>	<u>1,182</u>	<u>(123)</u>
Net change in fund balances	<u>1,305</u>	<u>1,305</u>	<u>1,182</u>	<u>(123)</u>
Fund balances - beginning	5,509	5,509	5,509	-
Fund balances - ending	<u>\$ 6,814</u>	<u>\$ 6,814</u>	<u>\$ 6,691</u>	<u>\$ (123)</u>

**City of Kelso**  
**Stadium Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>With Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 120,000	\$ 120,000	\$ 190,425	\$ 70,425
Investment earnings	200	200	52	(148)
Rental/lease income	10,920	10,920	10,920	-
Miscellaneous	100	100	56	(44)
Total revenues	<u>131,220</u>	<u>131,220</u>	<u>201,453</u>	<u>70,233</u>
<b>Expenditures</b>				
Culture and recreation	<u>111,220</u>	<u>111,220</u>	<u>75,881</u>	<u>35,339</u>
Total expenditures	<u>111,220</u>	<u>111,220</u>	<u>75,881</u>	<u>35,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,000</u>	<u>20,000</u>	<u>125,572</u>	<u>105,572</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>105,572</u>	<u>105,572</u>
Fund balances - beginning	<u>91,968</u>	<u>91,968</u>	<u>91,968</u>	<u>-</u>
Fund balances - ending	<u>\$ 91,968</u>	<u>\$ 91,968</u>	<u>\$ 197,540</u>	<u>\$ 105,572</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Budget</u>
<b>Revenues</b>				
Charges for services	\$ 8,200	\$ 8,200	\$ 13,939	\$ 5,739
Contributions	-	-	1,120	1,120
Miscellaneous	15,000	15,000	491	(14,509)
Total revenues	<u>23,200</u>	<u>23,200</u>	<u>15,550</u>	<u>(7,650)</u>
<b>Expenditures</b>				
Culture and recreation	<u>43,200</u>	<u>43,200</u>	<u>34,870</u>	<u>8,330</u>
Total expenditures	<u>43,200</u>	<u>43,200</u>	<u>34,870</u>	<u>8,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(19,320)</u>	<u>680</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>680</u>	<u>680</u>
Fund balances - beginning	<u>10,472</u>	<u>10,472</u>	<u>10,472</u>	<u>-</u>
Fund balances - ending	<u>\$ 10,472</u>	<u>\$ 10,472</u>	<u>\$ 11,152</u>	<u>\$ 680</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 1,800	\$ 1,800	\$ 310	\$ (1,490)
Total revenues	<u>1,800</u>	<u>1,800</u>	<u>310</u>	<u>(1,490)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,800</u>	<u>1,800</u>	<u>310</u>	<u>(1,490)</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Net change in fund balances	<u>(58,200)</u>	<u>(58,200)</u>	<u>(59,690)</u>	<u>(1,490)</u>
Fund balances - beginning	<u>705,366</u>	<u>705,366</u>	<u>705,366</u>	<u>-</u>
Fund balances - ending	<u>\$ 647,166</u>	<u>\$ 647,166</u>	<u>\$ 645,676</u>	<u>\$ (1,490)</u>

**City of Kelso**  
**Criminal Justice Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ 212,000	\$ 212,000	\$ 179,382	\$ (32,618)
Fines	1,000	1,000	-	(1,000)
Investment earnings	150	150	27	(123)
Miscellaneous	-	-	600	600
Total revenues	<u>213,150</u>	<u>213,150</u>	<u>180,009</u>	<u>(33,141)</u>
<b>Expenditures</b>				
Security of persons and property	<u>312,550</u>	<u>312,550</u>	<u>298,941</u>	<u>13,609</u>
Total expenditures	<u>312,550</u>	<u>312,550</u>	<u>298,941</u>	<u>13,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(99,400)</u>	<u>(99,400)</u>	<u>(118,932)</u>	<u>(19,532)</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total other financing sources (uses)	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Net change in fund balances	<u>(29,400)</u>	<u>(29,400)</u>	<u>(48,932)</u>	<u>(19,532)</u>
Fund balances - beginning	<u>83,054</u>	<u>83,054</u>	<u>83,054</u>	<u>-</u>
Fund balances - ending	<u>\$ 53,654</u>	<u>\$ 53,654</u>	<u>\$ 34,122</u>	<u>\$ (19,532)</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Budget</u>
<b>Revenues</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 204,237	\$ 4,237
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>204,237</u>	<u>4,237</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>200,000</u>	 <u>200,000</u>	 <u>204,237</u>	 <u>4,237</u>
Net change in fund balances	<u>200,000</u>	<u>200,000</u>	<u>204,237</u>	<u>4,237</u>
 <b>Other financing sources (uses)</b>				
Transfers out	(221,600)	(221,600)	(221,600)	-
Total other financing sources (uses)	<u>(221,600)</u>	<u>(221,600)</u>	<u>(221,600)</u>	<u>-</u>
Net change in fund balances	<u>(21,600)</u>	<u>(21,600)</u>	<u>(17,363)</u>	<u>4,237</u>
 Fund balances - beginning	 <u>97,454</u>	 <u>97,454</u>	 <u>97,454</u>	 <u>-</u>
Fund balances - ending	<u>\$ 75,854</u>	<u>\$ 75,854</u>	<u>\$ 80,091</u>	<u>\$ 4,237</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
<b>Revenues</b>				
Investment earnings	\$ 4,500	\$ 4,500	\$ 1,249	\$ (3,251)
Miscellaneous	-	-	37,669	37,669
Total revenues	<u>4,500</u>	<u>4,500</u>	<u>38,918</u>	<u>34,418</u>
<b>Expenditures</b>				
Debt service:				
Principal	295,000	295,000	295,000	-
Interest	139,600	139,600	138,638	962
Total expenditures	<u>434,600</u>	<u>434,600</u>	<u>433,638</u>	<u>962</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(430,100)</u>	<u>(430,100)</u>	<u>(394,720)</u>	<u>35,380</u>
<b>Other financing sources (uses)</b>				
Transfers in	433,100	433,100	433,100	-
Total other financing sources (uses)	<u>433,100</u>	<u>433,100</u>	<u>433,100</u>	<u>-</u>
Net change in fund balances	3,000	3,000	38,380	35,380
Fund balances - beginning	2,225,767	2,225,767	2,225,767	-
Fund balances - ending	<u>\$ 2,228,767</u>	<u>\$ 2,228,767</u>	<u>\$ 2,264,147</u>	<u>\$ 35,380</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
				<u>Budget</u>
<b>Revenues</b>				
Taxes	\$ 120,000	\$ 120,000	\$ 270,147	\$ 150,147
Investment earnings	100	100	227	127
Total revenues	<u>120,100</u>	<u>120,100</u>	<u>270,374</u>	<u>150,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>120,100</u>	<u>120,100</u>	<u>270,374</u>	<u>150,274</u>
<b>Other financing sources (uses)</b>				
Transfers out	(211,500)	(211,500)	(211,500)	-
Total other financing sources (uses)	<u>(211,500)</u>	<u>(211,500)</u>	<u>(211,500)</u>	<u>-</u>
Net change in fund balances	(91,400)	(91,400)	58,874	150,274
Fund balances - beginning	262,438	262,438	262,438	-
Fund balances - ending	<u>\$ 171,038</u>	<u>\$ 171,038</u>	<u>\$ 321,312</u>	<u>\$ 150,274</u>

# 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.

<b>Contents</b>	<b>Page</b>
Financial Trends	115
<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	122
<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	127
<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	132
<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	135
<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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 48,199	\$ 54,754	\$ 57,203	\$ 56,455	\$ 56,985	\$ 56,850	\$ 59,025	\$ 62,845	\$ 66,459	\$ 72,897
Restricted	1,442	1,491	1,616	1,664	1,085	1,115	2,834	3,182	3,378	5,182
Unrestricted	4,494	4,342	4,481	4,680	5,496	6,086	2,850	2,688	5,124	7,717
Total governmental activities net position	<u>\$ 54,135</u>	<u>\$ 60,587</u>	<u>\$ 63,300</u>	<u>\$ 62,799</u>	<u>\$ 63,566</u>	<u>\$ 64,051</u>	<u>\$ 64,709</u>	<u>\$ 68,715</u>	<u>\$ 74,961</u>	<u>\$ 85,796</u>
Business-type activities										
Net investment in capital assets	\$ 21,989	\$ 19,683	\$ 20,307	\$ 21,087	\$ 22,337	\$ 24,876	\$ 25,877	\$ 25,199	\$ 25,522	\$ 25,805
Restricted	593	595	597	603	478	479	478	366	3,022	95
Unrestricted	7,128	7,219	7,957	7,224	8,626	8,201	8,418	10,363	9,565	15,318
Total business-type activities net position	<u>\$ 29,710</u>	<u>\$ 27,497</u>	<u>\$ 28,861</u>	<u>\$ 28,914</u>	<u>\$ 31,441</u>	<u>\$ 33,556</u>	<u>\$ 34,573</u>	<u>\$ 35,928</u>	<u>\$ 38,109</u>	<u>\$ 41,218</u>
Primary government										
Net investment in capital assets	\$ 70,188	\$ 74,437	\$ 77,510	\$ 77,542	\$ 79,322	\$ 81,726	\$ 84,702	\$ 88,044	\$ 91,981	\$ 98,702
Restricted	2,035	2,086	2,213	2,267	1,563	1,594	3,312	3,548	6,400	5,277
Unrestricted	11,622	11,561	12,438	11,904	14,122	14,287	11,268	13,051	14,689	23,035
Total primary government net position	<u>\$ 83,845</u>	<u>\$ 88,084</u>	<u>\$ 92,161</u>	<u>\$ 91,713</u>	<u>\$ 95,007</u>	<u>\$ 97,607</u>	<u>\$ 99,282</u>	<u>\$ 104,643</u>	<u>\$ 113,070</u>	<u>\$ 127,014</u>

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

Expenses	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
General government	\$ 1,743	\$ 1,776	\$ 1,916	\$ 1,963	\$ 2,201	\$ 2,355	\$ 2,331	\$ 2,255	\$ 2,516	\$ 2,091
Security of persons and property	4,533	4,562	4,609	4,608	5,134	5,392	4,661	5,505	5,022	4,642
Transportation	1,722	2,180	2,323	2,654	3,322	4,287	2,489	3,100	1,851	1,952
Economic environment	590	754	308	374	325	343	302	407	378	387
Culture and recreation	1,066	985	1,121	1,107	1,087	1,161	1,228	1,185	1,021	1,022
Interest on long-term debt	117	114	122	109	179	156	149	144	141	124
Total governmental activities expenses	9,771	10,371	10,399	10,815	12,248	13,694	11,160	12,596	10,929	10,218
Business-type activities:										
Water/Sewer	6,610	7,079	7,186	7,645	7,672	8,008	8,836	8,790	8,886	8,317
Solid waste	1,294	1,317	1,457	1,481	1,549	1,575	1,675	1,729	1,822	1,830
Storm water	571	547	556	715	609	665	678	717	527	461
Airport	422	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	8,897	8,943	9,199	9,841	9,830	10,248	11,189	11,236	11,235	10,608
Total primary government expenses	\$ 18,668	\$ 19,314	\$ 19,598	\$ 20,656	\$ 22,078	\$ 23,942	\$ 22,349	\$ 23,832	\$ 22,164	\$ 20,826
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 97	\$ 226	\$ 108	\$ 153	\$ 156	\$ 188	\$ 175	\$ 278	\$ 217	\$ 246
Security of persons and property	192	151	360	279	306	375	268	400	304	264
Transportation	231	298	532	655	599	577	412	416	476	475
Economic environment	127	147	163	76	180	145	156	371	224	452
Culture and recreation	100	80	140	94	99	99	97	115	84	101
Operating grants and contributions	894	848	172	317	192	261	514	787	851	249
Capital grants and contributions	1,455	4,895	3,525	663	1,480	601	2,584	3,356	4,123	7,383
Total governmental activities program revenues	3,096	6,645	5,000	2,237	2,972	2,246	4,206	5,723	6,279	9,170
Business-type activities:										
Charges for services:										
Water/Sewer	7,621	7,883	8,358	8,868	9,035	9,038	9,377	9,655	10,442	10,521
Solid waste	1,145	1,194	1,382	1,427	1,517	1,596	1,642	1,708	1,856	1,854
Storm water	579	591	623	714	762	803	844	878	843	833
Airport	126	-	-	-	-	-	-	-	-	-
Operating grants and contributions	193	19	75	7	25	44	6	152	135	126
Capital grants and contributions	457	2	112	-	1,144	165	146	-	17	375
Total business-type activities program revenues	10,121	9,689	10,550	11,016	12,483	11,646	12,015	12,393	13,293	13,709
Total primary government program revenues	\$ 13,217	\$ 16,334	\$ 15,550	\$ 13,253	\$ 15,455	\$ 13,892	\$ 16,221	\$ 18,116	\$ 19,572	\$ 22,879

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (expense)/revenue										
Governmental activities	\$ (6,675)	\$ (3,726)	\$ (5,399)	\$ (8,578)	\$ (9,276)	\$ (11,448)	\$ (6,954)	\$ (6,873)	\$ (4,650)	\$ (1,048)
Business-type activities	1,224	746	1,351	1,175	2,653	1,398	826	1,157	2,058	3,101
Total primary government net expense	<u>\$ (5,451)</u>	<u>\$ (2,980)</u>	<u>\$ (4,048)</u>	<u>\$ (7,403)</u>	<u>\$ (6,623)</u>	<u>\$ (10,050)</u>	<u>\$ (6,128)</u>	<u>\$ (5,716)</u>	<u>\$ (2,592)</u>	<u>\$ 2,053</u>
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 1,175	\$ 1,191	\$ 1,206	\$ 1,243	\$ 1,280	\$ 1,300	\$ 1,506	\$ 1,530	\$ 1,577	\$ 1,608
Sales taxes	2,103	2,141	2,410	2,546	2,899	2,883	2,932	3,234	3,419	4,000
Utility taxes	2,827	2,748	2,809	3,099	3,265	3,320	3,358	3,366	3,424	3,424
Business taxes	755	772	821	875	944	945	986	1,009	949	1,143
Excise taxes	86	79	107	157	188	263	450	411	387	502
Penalties & interest	5	3	5	4	6	5	9	-	-	-
State entitlements	573	692	624	653	763	804	978	1,041	943	1,095
Investment earnings	64	29	37	55	51	93	142	189	58	20
Miscellaneous	26	66	93	68	631	286	75	99	115	91
Gain/(loss) on sale of capital assets	-	-	-	1	-	135	186	-	24	-
Special items	-	2,513	-	-	-	-	-	-	-	-
Transfers	(40)	(56)	-	-	17	-	(44)	-	-	-
Total governmental activities	<u>7,574</u>	<u>10,178</u>	<u>8,112</u>	<u>8,701</u>	<u>10,044</u>	<u>10,034</u>	<u>10,578</u>	<u>10,879</u>	<u>10,896</u>	<u>11,883</u>
Business-type activities:										
Investment earnings	11	11	13	18	23	70	148	198	56	8
Miscellaneous	-	-	-	4	1	-	-	-	-	-
Gain/(loss) on sale of capital assets	-	-	-	-	-	(264)	-	-	67	-
Special items	-	(3,026)	-	-	-	-	-	-	-	-
Transfers	40	56	-	-	(17)	-	44	-	-	-
Total business-type activities	<u>51</u>	<u>(2,959)</u>	<u>13</u>	<u>22</u>	<u>7</u>	<u>(194)</u>	<u>192</u>	<u>198</u>	<u>123</u>	<u>8</u>
Total primary government	<u>\$ 7,625</u>	<u>\$ 7,219</u>	<u>\$ 8,125</u>	<u>\$ 8,723</u>	<u>\$ 10,051</u>	<u>\$ 9,840</u>	<u>\$ 10,770</u>	<u>\$ 11,077</u>	<u>\$ 11,019</u>	<u>\$ 11,891</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 899	\$ 6,452	\$ 2,713	\$ 123	\$ 768	\$ (1,414)	\$ 3,624	\$ 4,006	\$ 6,246	\$ 10,835
Business-type activities	1,275	(2,213)	1,364	1,197	2,660	1,204	1,018	1,355	2,181	3,109
Total primary government	<u>\$ 2,174</u>	<u>\$ 4,239</u>	<u>\$ 4,077</u>	<u>\$ 1,320</u>	<u>\$ 3,428</u>	<u>\$ (210)</u>	<u>\$ 4,642</u>	<u>\$ 5,361</u>	<u>\$ 8,427</u>	<u>\$ 13,944</u>

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Utility Taxes</b>	<b>Business Taxes</b>	<b>Excise Taxes</b>
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
2016	1,280	2,899	3,265	944	188
2017	1,300	2,883	3,320	945	263
2018	1,506	2,932	3,358	986	450
2019	1,530	3,234	3,366	1,008	411
2020	1,577	3,419	3,424	949	387
2021	1,608	4,000	3,424	1,143	502



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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General fund										
Restricted	\$ 93	\$ 171	\$ 100	\$ 92	\$ 118	\$ 119	\$ 103	\$ 354	\$ 440	\$ 775
Committed	213	242	-	-	-	-	-	-	-	-
Assigned	-	-	212	242	277	312	323	330	362	398
Unassigned	3,063	3,097	3,828	4,564	5,285	5,482	6,111	6,344	8,189	9,924
Total general fund	<u>\$ 3,369</u>	<u>\$ 3,510</u>	<u>\$ 4,140</u>	<u>\$ 4,898</u>	<u>\$ 5,680</u>	<u>\$ 5,913</u>	<u>\$ 6,537</u>	<u>\$ 7,028</u>	<u>\$ 8,991</u>	<u>\$ 11,097</u>
 All other governmental funds										
Nonspendable	\$ 829	\$ 647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,350	1,321	1,516	1,572	3,798	984	841	742	672	810
Assigned	1,215	1,350	2,032	2,105	2,607	2,867	3,445	2,924	3,093	2,751
Unassigned	(504)	(1,227)	(304)	(428)	(231)	(84)	-	-	-	(331)
Total all other governmental funds	<u>\$ 2,890</u>	<u>\$ 2,091</u>	<u>\$ 3,244</u>	<u>\$ 3,249</u>	<u>\$ 6,174</u>	<u>\$ 3,767</u>	<u>\$ 4,286</u>	<u>\$ 3,666</u>	<u>\$ 3,765</u>	<u>\$ 3,230</u>

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenues</b>										
Taxes	\$ 6,955	\$ 6,940	\$ 7,361	\$ 7,928	\$ 8,655	\$ 8,859	\$ 9,254	\$ 9,544	\$ 9,776	\$ 10,677
Licenses and permits	195	212	203	131	174	191	169	284	205	342
Intergovernmental	3,066	5,415	5,588	1,361	2,739	1,121	3,872	5,197	5,859	7,470
Charges for services	879	963	1,008	1,268	1,311	1,141	1,246	1,375	1,398	1,608
Fines	140	130	119	106	98	105	138	169	155	145
Investment earnings	64	29	37	55	53	96	144	189	58	20
Contributions	-	-	-	55	65	35	4	23	32	15
Rental/lease income	86	90	104	105	112	118	113	106	101	110
Miscellaneous	38	78	110	84	655	257	83	115	114	91
Total revenues	<u>11,423</u>	<u>13,857</u>	<u>14,530</u>	<u>11,093</u>	<u>13,862</u>	<u>11,923</u>	<u>15,023</u>	<u>17,002</u>	<u>17,698</u>	<u>20,478</u>
<b>Expenditures</b>										
General government	2,190	2,153	2,169	2,390	2,712	2,984	3,070	3,086	3,323	3,302
Security of persons and property	4,297	4,340	4,271	4,386	4,808	5,114	5,120	5,205	5,309	5,300
Transportation	479	742	851	928	1,589	3,186	1,492	2,091	978	1,002
Economic environment	585	752	313	381	317	345	310	429	378	403
Culture and recreation	781	709	842	827	885	1,033	1,087	1,058	878	936
Capital outlay	1,999	5,497	3,883	1,192	2,926	1,183	3,098	4,823	4,324	7,531
Debt service										
Principal	148	158	317	140	305	270	270	280	290	295
Interest	111	108	101	86	185	171	164	159	156	139
Total expenditures	<u>10,590</u>	<u>14,459</u>	<u>12,747</u>	<u>10,330</u>	<u>13,727</u>	<u>14,286</u>	<u>14,611</u>	<u>17,131</u>	<u>15,636</u>	<u>18,908</u>
Excess of revenues over (under) expenditures	833	(602)	1,783	763	135	(2,363)	412	(129)	2,062	1,570

**Other financing sources (uses)**

Transfers in	497	573	579	543	1,517	1,146	962	1,589	677	996
Transfers out	(537)	(628)	(579)	(543)	(1,500)	(1,146)	(1,006)	(1,589)	(677)	(996)
Bonds issued	-	-	-	-	3,200	-	-	-	-	-
Premium on bonds issued	-	-	-	-	355	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	189	259	-	-	-
Total other financing sources (uses)	(40)	(55)	-	-	3,572	189	215	-	-	-
Net change in fund balances	\$ 793	\$ (657)	\$ 1,783	\$ 763	\$ 3,707	\$ (2,174)	\$ 627	\$ (129)	\$ 2,062	\$ 1,570
Debt service as a percentage of noncapital expenditures*	3.01%	2.97%	4.72%	2.47%	4.54%	3.37%	3.77%	3.57%	3.94%	3.81%

\* 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
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
2016	1,353	2,899	3,265	944	194	8,655
2017	1,255	2,883	3,320	945	456	8,859
2018	1,519	2,932	3,358	986	459	9,254
2019	1,525	3,234	3,366	1,008	411	9,544
2020	1,596	3,419	3,424	950	387	9,776
2021	1,608	4,000	3,424	1,143	502	10,677

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

Fiscal Year	Residential Property <sup>1</sup>	Non- Residential Property <sup>1</sup>	State Assessed Property <sup>1</sup>	Personal Property <sup>1</sup>	Real Property		Direct Tax Rate	Ratio of Assessed Value To Estimated Actual Value <sup>2</sup>
					Total Assessed Value <sup>1</sup>	Estimated Value		
2012	\$ 429,082	\$ 230,187	\$ 24,973	\$ 59,015	\$ 743,257	\$ 806,136	1.8131%	92.2%
2013	361,690	233,337	25,170	60,067	680,264	726,002	2.0116%	93.7%
2014	375,497	217,853	26,579	58,108	678,037	705,554	2.0557%	96.1%
2015	390,452	213,413	28,575	57,771	690,210	736,617	2.0467%	93.7%
2016	403,206	205,578	30,182	64,586	703,552	737,476	2.0612%	95.4%
2017	436,557	227,543	29,706	71,815	765,621	877,000	1.9237%	87.3%
2018	513,324	205,673	31,239	67,549	817,786	891,806	1.8485%	91.7%
2019	562,888	210,756	31,988	65,981	871,613	949,469	1.7642%	91.8%
2020	589,392	279,861	32,685	70,816	972,754	1,057,341	1.6289%	92.0%
2021	747,311	240,007	34,193	74,413	1,095,924	1,183,503	1.4683%	92.6%

<sup>1</sup> Cowlitz County Assessor's Office - distribution represents countywide allocation

<sup>2</sup> Department of Revenue - Property Tax Division

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

<b>Fiscal Year</b>	<b>City Regular</b>	<b>Total City</b>	<b>School District</b>	<b>Port of Longview</b>	<b>Cowlitz County</b>	<b>State of Washington</b>	<b>Cowlitz 2 Fire District</b>	<b>Total</b>
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
2016	2.0612	2.0612	5.5153	0.4177	1.9728	2.0837	1.4982	13.5489
2017	1.9237	1.9237	5.2898	0.3438	1.9155	2.1369	1.8025	13.4122
2018	1.8485	1.8485	4.9389	0.2586	1.8898	2.8988	1.6671	13.5017
2019	1.7642	1.7642	4.4178	0.2394	1.7337	2.5970	1.5351	12.2872
2020	1.6289	1.6289	4.0291	0.2106	1.6066	2.9131	1.3959	11.7842
2021	1.4683	1.4683	4.4169	0.1953	1.5807	2.8498	1.2824	11.7934

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

**City of Kelso**  
**Principal Property Taxpayers**  
**December 31, 2021**  
(amounts expressed in thousands)

Taxpayer	2021			2012		
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Rank	Assessed Valuation	Percentage of Total Assessed Valuation
Foster Farms Poultry	1	\$ 37,367	3.41%	1	\$ 31,989	4.70%
Burlington Northern Santa Fe	2	23,034	2.10%	4	10,741	1.58%
Three Rivers Village LLC	3	15,233	1.39%	2	22,707	3.34%
Mario Segale	4	14,664	1.34%	3	14,664	2.16%
C & C Logging	5	14,493	1.32%			
Terry Morgan Trust	6	11,294	1.03%			
Brookhollow Partners LP	7	9,812	0.90%			
Summerwind Properties LLC	8	9,583	0.87%			
JMK Limited Partnership	9	9,028	0.82%			
ALS Group USA	10	9,010	0.82%			
NWCC Riverway SPE LLC	11	8,255	0.75%			
Dayton Hudson	12	6,206	0.57%	10	6,706	0.99%
Storedahl	13	6,062	0.55%	8	7,125	1.05%
SW Paper Inc.	14	5,841	0.53%	6	7,837	1.15%
CAS Holdings Inc.				7	7,259	1.07%
Safeway Inc.				5	10,474	1.54%
Allen St. Investments				9	6,939	1.02%
		<u>\$ 179,882</u>	<u>16.40%</u>		<u>\$ 126,441</u>	<u>18.60%</u>

Source: Cowlitz County Assessor's Office

**City of Kelso  
Principal Utility Taxpayers  
December 31, 2021**

Utility Tax Type	2021			2012		
	Rank	Tax	Percentage of Tax to Total	Rank	Tax	Percentage of Tax to Total
Electricity*	1	\$ 733,773	20.66%	1	\$ 695,036	24.58%
Sewer*	2	591,631	16.65%	2	423,968	15.00%
Water*	3	425,639	11.98%	3	268,737	9.50%
Cable Television*	4	206,540	5.81%	5	112,115	3.97%
Garbage*	5	184,963	5.21%	7	106,469	3.77%
Telephone**	6	64,631	1.82%	6	110,180	3.90%
Cell Phone**	7	64,427	1.81%	4	199,591	7.06%
Natural Gas*	8	75,125	2.11%	8	62,162	2.20%
		<u>2,346,729</u>	<u>66.06%</u>		<u>1,978,258</u>	<u>69.98%</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**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Collections in Subsequent Years</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Total Tax Levy</b>
2012	\$ 1,347,579	\$ 1,285,794	95.4%	\$ 61,785	\$ 1,347,579	100.00%	-	0.0%
2013	1,368,390	1,309,790	95.7%	58,600	1,368,390	100.00%	-	0.0%
2014	1,393,874	1,335,634	95.8%	58,240	1,393,874	100.00%	-	0.0%
2015	1,412,682	1,361,171	96.4%	51,443	1,412,614	100.00%	68	0.0%
2016	1,450,135	1,397,191	96.3%	52,876	1,450,067	99.99%	68	0.0%
2017	1,472,804	1,423,709	96.7%	49,031	1,472,740	99.97%	64	0.0%
2018	1,511,643	1,463,408	96.8%	47,616	1,511,024	99.40%	619	0.6%
2019	1,537,735	1,488,915	96.8%	39,945	1,528,860	98.82%	8,875	1.2%
2020	1,584,537	1,545,830	97.6%	25,036	1,570,866	97.56%	13,671	2.4%
2021	1,609,180	1,575,104	97.9%	-	1,575,104	97.88%	34,076	2.1%

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 <sup>1</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds	Miscellaneous Notes	Water/Sewer Revenue Bonds	Miscellaneous Notes			
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	1.57%	632
2016	5,744 *	-	4,085	909	10,738	2.16%	897
2017	5,120	-	3,880	972	9,972	1.94%	832
2018	4,832	-	3,665	4,332 **	12,829	2.36%	1,062
2019	4,534	-	3,440	4,409	12,383	2.18%	1,013
2020	4,226	-	5,945 ***	3,967	14,138	2.38%	1,146
2021	3,914	-	5,607	3,649	13,170	N/A	1,035

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

N/A - Information not available.

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

<sup>2</sup> See the schedule of Demographic and Economic Statistics on page 132 for personal income and population data.

\*City issued \$3,200 in G.O. bonds in 2016.

\*\*City borrowed \$4,530 from the Drinking Water State Revolving Loan in 2016.

\*\*\*City issued \$5,405 in revenue refunding/improvement bonds in 2020. \$3,440 of the proceeds were used to refund the 2010 revenue bond.

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

<b>Fiscal Year</b>	<b>Assessed Value*<sub>1</sub></b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property<sub>2</sub></b>	<b>Per Capita<sub>3</sub></b>
2012	\$ 743,257	\$ 2,585,000	-	\$ 2,585,000	0.32%	\$ 217
2013	680,264	2,408,189	-	2,408,189	0.33%	202
2014	678,037	2,294,356	-	2,294,356	0.33%	192
2015	690,210	2,175,000	-	2,175,000	0.30%	182
2016	703,552	5,407,314	-	5,407,314	0.73%	452
2017	765,621	5,119,561	-	5,119,561	0.58%	428
2018	817,786	4,831,807	-	4,831,807	0.54%	400
2019	871,613	4,534,054	-	4,534,054	0.48%	371
2020	972,754	4,226,301	-	4,226,301	0.40%	342
2021	1,095,924	3,913,547	-	3,913,547	0.33%	308

\*Amounts expressed in thousands

<sub>1</sub>Cowlitz County Assessor's Office

<sub>2</sub>See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Page 122 for property value data

<sub>3</sub>Population data can be found in the Schedule of Demographic and Economic Statistics on page 132.

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, 2021**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Direct:</b>			
City of Kelso	\$ 3,913,547	100%	\$ 3,913,547
<b>Overlapping:</b>			
Cowlitz County	26,845,000	8%	2,073,041
Kelso School District	88,181,640	39%	33,999,696
Port of Longview	5,595,000	10%	579,087
Cowlitz Fire District #2	8,485,962	29%	2,458,947
Subtotal, overlapping debt	129,107,602		39,110,770
Total direct and overlapping	<u>\$ 133,021,149</u>		<u>\$ 43,024,317</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.

<sup>1</sup> 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)**

	<b>Fiscal Year</b>									
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Debt limit	\$ 55,744	\$ 51,020	\$ 50,853	\$ 51,766	\$ 52,766	\$ 57,422	\$ 61,334	\$ 65,371	\$ 72,957	\$ 82,194
Total net debt applicable to limit	1,637	1,378	2,315	2,175	5,070	4,800	4,530	4,250	3,960	3,665
Legal debt margin	<u>\$ 54,107</u>	<u>\$ 49,642</u>	<u>\$ 48,538</u>	<u>\$ 49,591</u>	<u>\$ 47,696</u>	<u>\$ 52,622</u>	<u>\$ 56,804</u>	<u>\$ 61,121</u>	<u>\$ 68,997</u>	<u>\$ 78,529</u>
Total net debt applicable to the limit as a percentage of debt limit	2.94%	2.70%	4.55%	4.20%	9.61%	8.36%	7.39%	6.50%	5.43%	4.46%

**Legal Debt Margin Calculation for Fiscal Year 2021**

Assessed value	\$ 1,095,924
Debt limit (7.5% of total assessed value)	82,194
Debt applicable to limit:	
General obligation bonds	3,665
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>3,665</u>
Legal debt margin	<u>\$ 78,529</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**

<b>Water/Sewer Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Water/Sewer Revenues<sup>1</sup></b>	<b>Less: Operating Expenses<sup>2</sup></b>	<b>Net Available Revenue</b>	<b>Debt Services<sup>3</sup></b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
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
2016	8,978,127	6,675,819	2,302,308	200,000	167,381	6.27
2017	8,982,591	7,034,003	1,948,588	205,000	161,159	5.32
2018	9,433,897	7,883,278	1,550,619	215,000	152,380	4.22
2019	9,597,636	7,706,712	1,890,924	225,000	146,492	5.09
2020	9,693,151	7,662,913	2,030,238	225,000	136,569	5.62
2021	10,385,549	7,179,081	3,206,468	310,000	159,044	6.84

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

<sup>2</sup>Total operating expenses exclusive of depreciation and interest.

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

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

<b>Info available at County level only</b>					
<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income<sup>2</sup></b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>Unemployment Rate<sup>4</sup></b>	<b>School Enrollment<sup>3</sup></b>
2012	11,930	\$ 3,557,907	\$ 34,941	10.9%	4,091
2013	11,940	3,667,139	36,002	10.1%	4,908
2014	11,960	3,894,794	38,135	8.4%	4,974
2015	11,950	4,177,087	40,371	7.6%	4,951
2016	11,970	4,358,825	41,449	7.1%	5,030
2017	11,980	4,585,187	42,888	6.1%	5,045
2018	12,080	4,903,274	44,990	5.9%	4,941
2019	12,220	5,142,891	46,503	6.0%	4,992
2020	12,340	5,371,661	48,232	9.3%	4,662
2021	12,720	N/A	N/A	6.4%	4,836

N/A - information not available.

<sup>1</sup>Source: Office of Financial Management

<sup>2</sup>Source: U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>3</sup>Source: Kelso School District

<sup>4</sup>Source: 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	2021			2012		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
PeaceHealth / St. John's Hospital	1,843	1	3.88%	1,650	1	4.30%
Weyerhaeuser	1,600	2	3.37%	1,539	2	4.01%
Longview School District	804	3	1.69%	735	4	1.92%
Longview Fibre/ Westrock	750	4	1.58%	1,028	3	2.68%
JH Kelly, Inc.	728	5	1.53%	600	6	1.56%
Lower Columbia College	580	6	1.22%	399	9	1.04%
Kelso School District	569	7	1.20%			
Cowlitz County	525	8	1.10%	549	7	1.43%
Foster Farms	500	9	1.05%	707	5	1.84%
Safeway Grocery	495	10	1.04%	454	8	1.18%
Walmart				380	10	0.99%
 Total	 <u>8,394</u>		 <u>17.7%</u>	 <u>8,041</u>		 <u>21.0%</u>

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

Sources: Cowlitz-Wahkiakum Council of Governments, Kelso Longview Chamber of Commerce  
Washington State Employment Security Department and Cowlitz Economic Development Council

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

<b>Function</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
General Government										
Community Development	3.0	3.0	2.5	1.5	3.0	3.0	3.0	3.0	2.0	3.0
Finance	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	0.3	0.4	0.4	0.4	0.4	0.4	0.4	1.4	1.4	1.4
Admin.	1.7	2.0	2.0	2.0	2.6	2.6	2.6	2.6	2.6	2.6
Engineering	6.1	4.1	4.1	4.6	5.0	5.0	4.0	5.0	5.0	5.0
Airport	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Safety										
Police										
Officers	24.3	24.0	24.0	25.0	25.0	27.0	26.0	27.0	28.0	28.0
Civilians	3.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Highways & Streets										
Maintenance	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Traffic	1.3	1.3	1.3	1.0	1.0	2.0	1.0	1.0	1.0	1.0
Culture and recreation	6.0	6.3	6.3	7.0	7.0	7.0	8.0	6.0	7.0	7.0
Water	7.5	8.8	8.8	8.0	8.5	9.0	9.0	9.5	9.1	9.0
Sewer	5.5	6.8	6.8	6.0	6.5	7.0	7.0	7.5	6.9	7.0
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Total</b>	<b>69.1</b>	<b>72.1</b>	<b>72.6</b>	<b>71.9</b>	<b>75.4</b>	<b>79.4</b>	<b>77.4</b>	<b>79.4</b>	<b>79.4</b>	<b>80.4</b>

Source: City Payroll Department



**City of Kelso**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Physical arrests	1,309	1,163	1,065	1,227	1,169	1,204	1,607	1,393	1,303	1,058
Traffic violations	1,310	1,114	1,197	645	391	856	2,113	1,885	895	1,080
Fire (contracted with Cowlitz 2 Fire and Rescue)										
Number of calls answered	4,180	4,225	4,107	4,636	4,950	4,953	4,918	4,950	5,129	5,737
Highways and streets										
Street resurfacing (linear feet)	6,300	3,800	13,500	4,700	4,500	3,000	1,127	500	500	500
Sanitation (contracted with Waste Control Equipment Inc.)										
Residential refuse collected (tons monthly average)	524	513	641	642	677	696	712	725	754	782
Residential recyclables collected (tons monthly average)	50	41	40	41	38	41	39	32	36	36
Water										
Number of active service connections	4,782	4,778	4,781	4,784	4,789	4,799	4,810	4,752	4,761	4,750
Water main breaks	5	7	7	3	6	6	10	7	7	5
Average daily consumption (millions of gallons)	2.0	2.1	2.1	2.3	2.2	2.19	2.10	2.10	2.10	2.10
Sewer										
Number of active service connections	3,924	3,933	3,950	3,982	4,029	4,059	4,072	4,127	4,170	4,183
Average daily sewage treatment (millions of gallons)	2.9	2.3	2.5	2.7	2.7	2.7	2.5	2.2	2.6	2.7

Sources: Various City departments.

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

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	9	9	9	10	10
Highways and streets										
Street (miles)	64	64	64	64	64	64	64	64	64	64
Streetlights	432	441	469	469	483	502	502	502	502	502
Traffic signals	13	13	15	15	15	15	15	15	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
Water										
Water mains (miles)	73.56	73.56	73.56	73.85	74.28	56.30	56.46	56.46	56.46	56.46
Fire hydrants	554	554	556	605	606	606	606	606	606	606
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)	56.52	56.52	56.52	56.80	57.02	44.84	44.84	44.84	44.84	44.84
Storm sewers (miles)	55	55	55	55	55	55	55	55	55	55
Maximum daily treatment capacity (millions of gallons)	26	26	26	26	26	26	26	26	26	26

Sources: Various City departments.