

City of Kelso, Washington Comprehensive Annual Financial Report



West Kelso

*FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018*

City of Kelso, Washington

Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2018

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, 2018

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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 25, 2019

To the Honorable Nancy Malone, Mayor
Members of the City Council
Stephen Taylor, City Manager
Citizens of the City of Kelso

State law requires that all local governments publish within 150 days of the close of each fiscal year financial statements covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the Washington State Auditor's Office. In addition to the State reporting requirements, the City has chosen to issue our financial report in conformity with generally accepted accounting practices (GAAP) and hereby submit this comprehensive annual financial report (CAFR) of the City of Kelso for the fiscal year ended December 31, 2018.

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, 2018, 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, 2018, 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 12,080.

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

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

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

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

The City of Kelso prepares a biennial budget in accordance with RCW 35.A.34. The biennial budget serves as the foundation for the City's financial planning and control. The budget process begins in mid-summer of even-numbered years. All departments of the City are required to submit requests for appropriation to the City Clerk on or before the fourth Monday in September. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then submits the 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 KapStone Paper and Packaging Corp., 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 2018 was 5.9 percent compared with state and national rates of 4.5 percent and 3.9 percent, respectively.

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

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kelso for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2017. This was the fourteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

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

Respectfully submitted,


Brian Butterfield
Finance Director

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Government Finance Officers Association

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

Presented to

**City of Kelso
Washington**

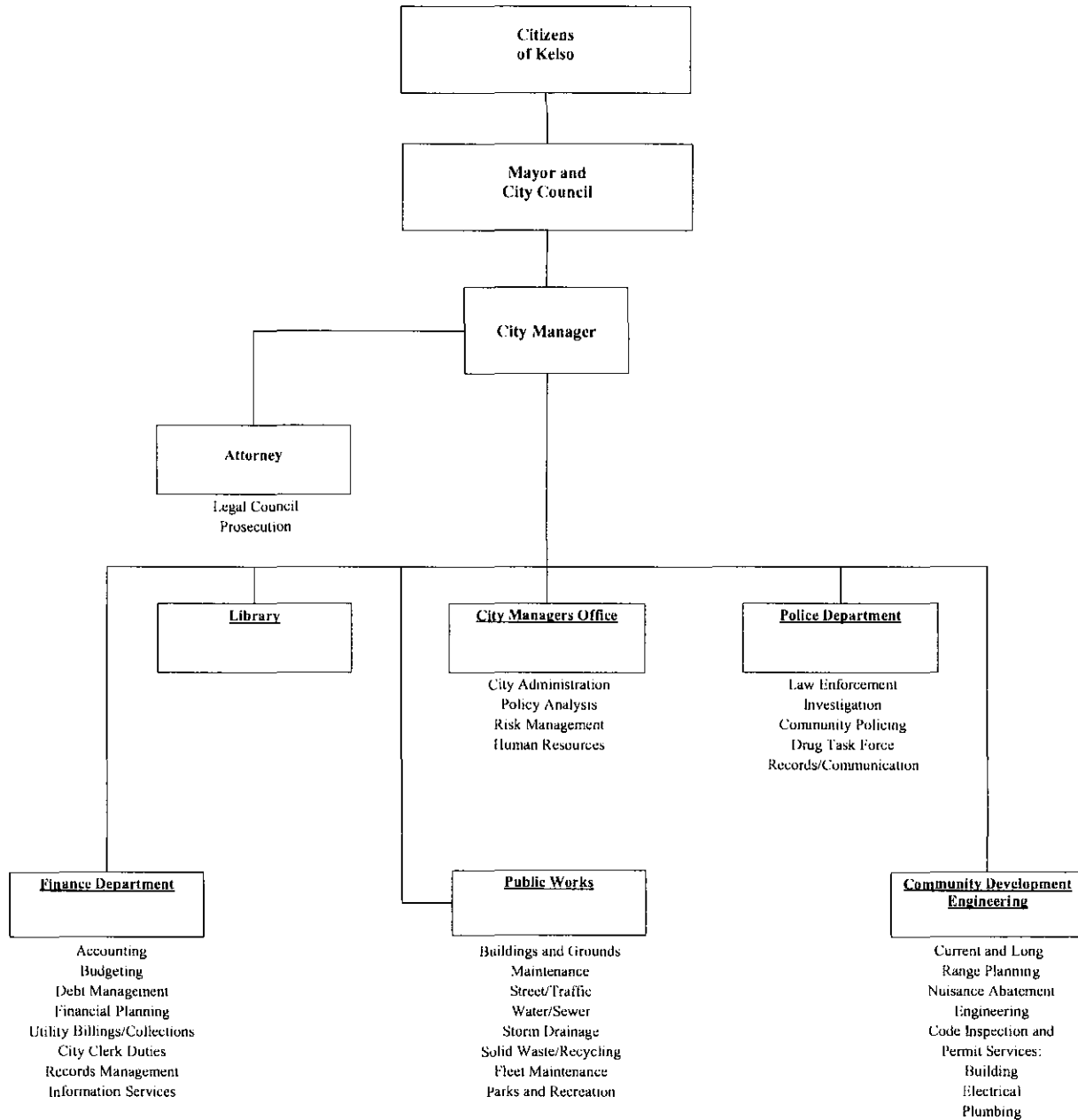
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrell

Executive Director/CEO

City Of Kelso Organizational Chart



City of Kelso

Directory of Officials

December 31, 2018

Elected Officials

Mayor

Nancy Malone

Council Members

Kimberly Lefebvre

David Futchner

Larry Alexander

Jim Hill

Mike Karnofski

Jeffrey McAllister

Appointed Officials

City Manager

Stephen Taylor

City Attorney

Janean Parker

Clerk / Finance Director

Brian Butterfield

Public Works Superintendent

Randy Johnson

Police Chief

Andy Hamilton

Community Development Director/
City Engineer

Michael Kardas

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 25, 2019

Mayor and City Council
City of Kelso
Kelso, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kelso, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kelso, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Street funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note V to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 25, 2019, 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 cursive script, reading "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

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Management's Discussion and Analysis

As management of the City of Kelso, we offer readers of the City of Kelso's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. 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 \$99,283 (net position). Capital assets, net of depreciation and related debt, account for \$84,703 or 85.3% of total net position. \$13,158 or 13.3% 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 \$4,642 during 2018.
- As of the close of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$10,823 an increase of \$627 in comparison with the prior year. Approximately 91% of this amount, \$9,880, 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 \$6,434, or 57% of total general fund expenditures.
- The City of Kelso's total debt (exclusive of compensated absences, bond discounts/premiums, and pension obligations) increased by \$2,875 during the current fiscal year.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

The City of Kelso maintains 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 \$99,283 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, 2018 with comparable data provided for the previous year.

City of Kelso's Net Position

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$14,610	\$12,417	\$ 11,520	\$ 11,602	\$ 26,130	\$ 24,019
Capital assets (net)	<u>63,724</u>	<u>61,833</u>	<u>33,083</u>	<u>29,111</u>	<u>96,807</u>	<u>90,944</u>
Total assets	<u>78,334</u>	<u>74,250</u>	<u>44,603</u>	<u>40,713</u>	<u>122,937</u>	<u>114,963</u>
Total deferred outflows of resources	<u>520</u>	<u>384</u>	<u>179</u>	<u>155</u>	<u>699</u>	<u>539</u>
Long-term liabilities outstanding	12,177	9,374	8,770	5,806	20,947	15,180
Other liabilities	<u>861</u>	<u>604</u>	<u>1,174</u>	<u>1,353</u>	<u>2,035</u>	<u>1,957</u>
Total liabilities	<u>13,038</u>	<u>9,978</u>	<u>9,944</u>	<u>7,159</u>	<u>22,982</u>	<u>17,137</u>
Total deferred inflows of resources	<u>1,107</u>	<u>605</u>	<u>264</u>	<u>153</u>	<u>1,371</u>	<u>758</u>
Net position:						
Net investment in capital assets	59,025	56,850	25,678	24,876	84,703	81,726
Restricted	944	1,115	478	479	1,422	1,594
Unrestricted	<u>4,740</u>	<u>6,086</u>	<u>8,418</u>	<u>8,201</u>	<u>13,158</u>	<u>14,287</u>
Total net position	<u>\$64,709</u>	<u>\$64,051</u>	<u>\$34,574</u>	<u>\$33,556</u>	<u>\$99,283</u>	<u>\$97,607</u>

By far the largest portion of the City's net position (85.3 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 (1.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$13,158 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 \$3,624 in 2018. Revenues increased by \$2,548 and expenditures decreased by \$2,534 in 2018. Key elements for these changes are as follows:

- Capital grant revenues for roadway improvements increased by \$1,983 from prior year.

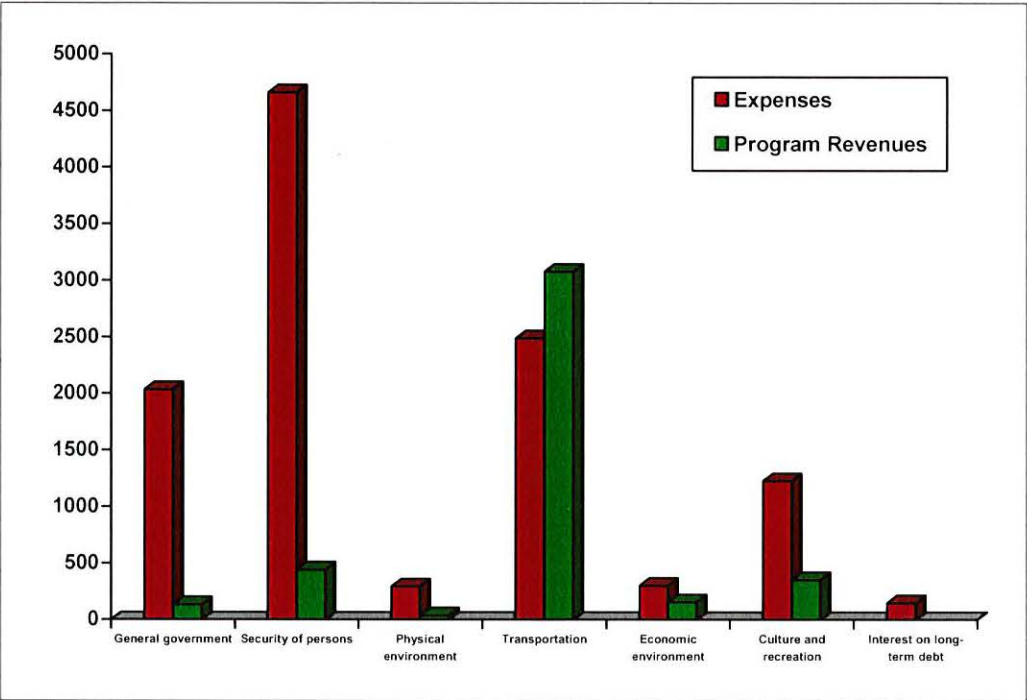
- Roadway maintenance expenditures decreased by \$2,070 over prior year. In 2017, the City completed two major street overlay projects.
- Expenditures related to the funding of certain law enforcement related retirement benefits decreased by \$657 in 2018.

City of Kelso's Changes in Net Position

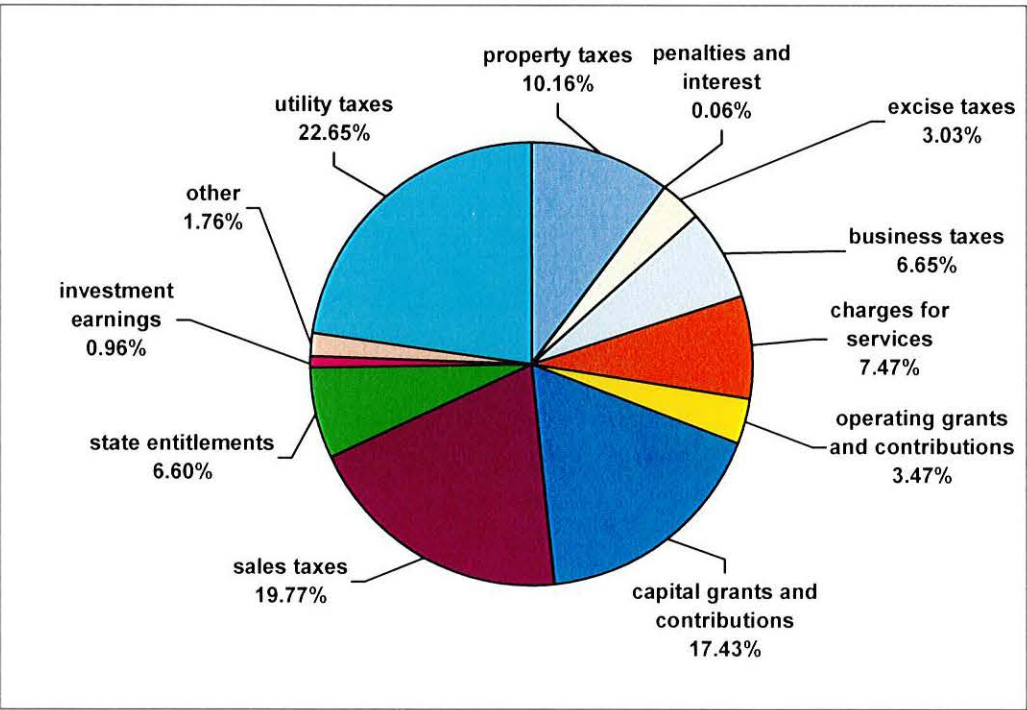
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$1,108	\$1,384	\$11,863	\$11,437	\$12,971	\$12,821
Operating grants and contributions	514	261	6	44	520	305
Capital grants and contributions	2,584	601	146	165	2,730	766
General revenues:						
Property taxes	1,506	1,300	-	-	1,506	1,300
Sales and use taxes	2,932	2,883	-	-	2,932	2,883
Utility taxes	3,358	3,320	-	-	3,358	3,320
Business taxes	986	945	-	-	986	945
Excise taxes	450	263	-	-	450	263
Penalties and interest	9	5	-	-	9	5
State entitlements	978	804	-	-	978	804
Investment earnings	142	93	148	70	290	163
Miscellaneous	75	286	-	-	75	286
Gain/(loss) on sale of capital assets	186	135	-	(264)	186	(129)
Total revenues	<u>14,828</u>	<u>12,280</u>	<u>12,163</u>	<u>11,452</u>	<u>26,991</u>	<u>23,732</u>
Expenses:						
General government	2,036	2,031	-	-	2,036	2,031
Security of persons and property	4,661	5,392	-	-	4,661	5,392
Physical environment	295	324	-	-	295	324
Transportation	2,489	4,287	-	-	2,489	4,287
Economic environment	302	343	-	-	302	343
Culture and recreation	1,228	1,161	-	-	1,228	1,161
Interest on long-term debt	149	156	-	-	149	156
Water/Sewer	-	-	8,836	8,008	8,836	8,008
Storm water	-	-	678	665	678	665
Solid waste	-	-	1,675	1,575	1,675	1,575
Total expenses	<u>11,160</u>	<u>13,694</u>	<u>11,189</u>	<u>10,248</u>	<u>22,349</u>	<u>23,942</u>
Change in net position before transfers	3,668	(1,414)	974	1,204	4,642	(210)
Transfers	(44)	-	44	-	-	-
Change in net position	3,624	(1,414)	1,018	1,204	4,642	(210)
Net position – beginning, restated*	61,085	65,465	33,556	32,352	94,641	97,817
Net position – ending	<u>\$ 64,709</u>	<u>\$ 64,051</u>	<u>\$34,574</u>	<u>\$33,556</u>	<u>\$99,283</u>	<u>\$97,607</u>

*Restated for 2017, see note V.I.

Expenses and Program Revenues – Governmental Activities

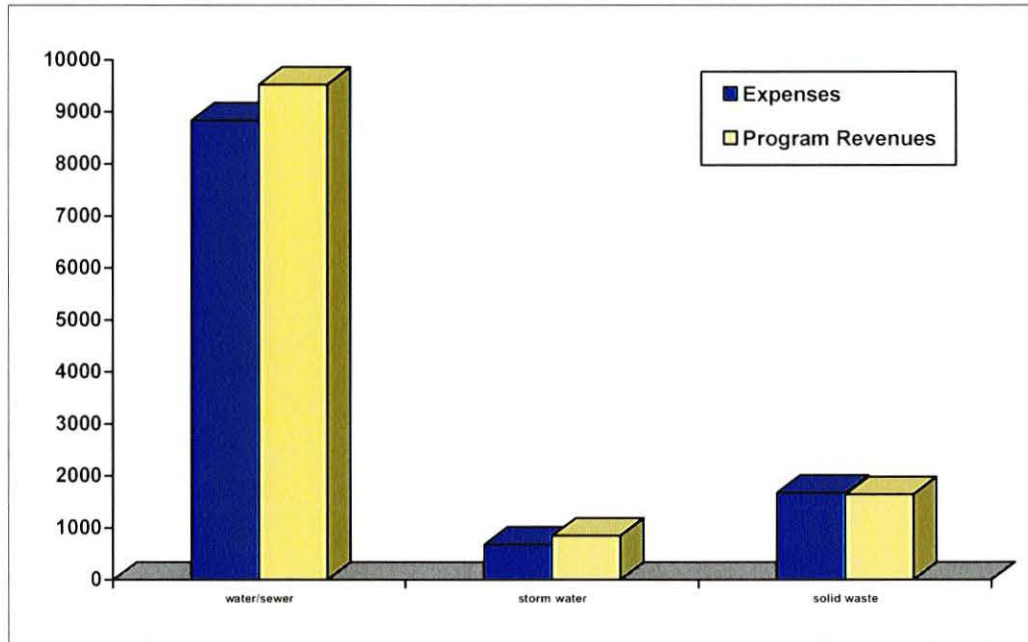


Revenues by Source - Governmental Activities

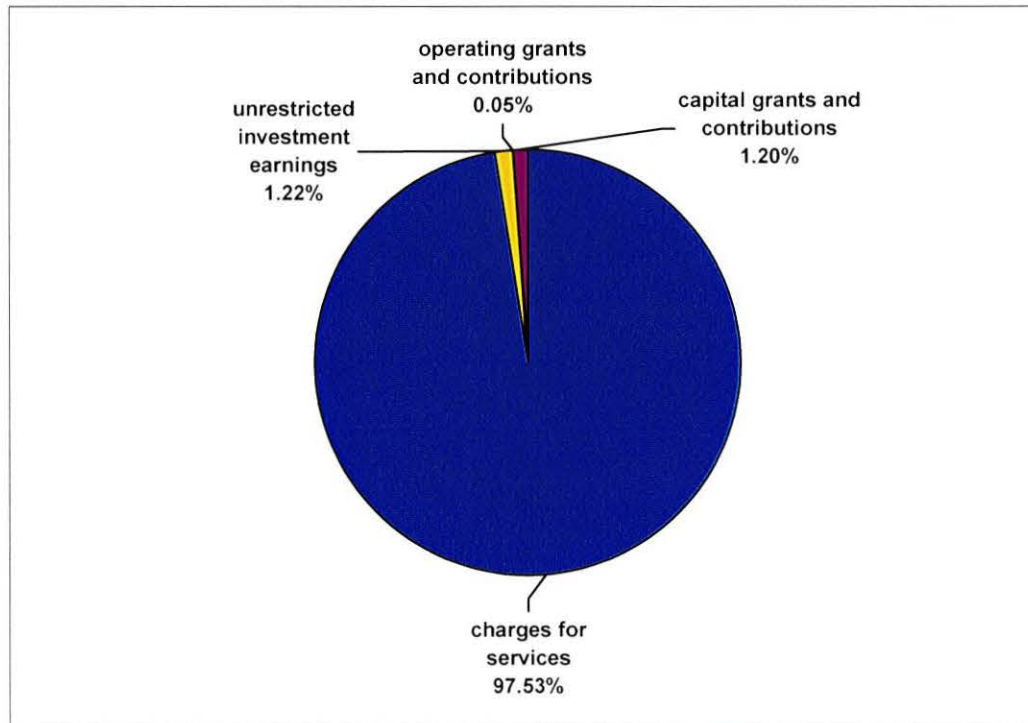


Business-type activities. Business-type activities increased the City of Kelso's net position by \$1,018. Business-type activity revenues increased by \$446 and expenditures increased by \$941 in 2018. Operating revenues exceeded operating expenses in 2018 by \$648 in the water/sewer fund.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



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

- Repair and maintenance costs increased by \$500 for the replacement of the roof at the City's operations center.
- The City increased the water and sewer rates by 3% and 2%, respectively in 2018.
- The City increased the garbage collection rates by 2% in 2018.
- The City increased the stormwater drainage collection rates by 4% in 2018.

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 \$10,823 an increase of \$627 in comparison with the prior year. Approximately 91% of ending fund balance (\$9,880) 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 (\$332), 2) to pay for low income housing (\$43), 3) to pay for street maintenance & construction (\$60), 4) to pay for construction or debt service on certain capital projects (\$342), 5) for a variety of other restricted purposes (\$167)

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 \$6,537. All but \$427 of this fund balance is unassigned. \$103 is restricted for low income housing, criminal justice, and public education. \$323 has been assigned by the City for maintenance of City owned bridges. Unassigned fund balance represents 59 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 \$108 during the current fiscal year.

The arterial street fund accounts for the receipt and expenditure of various grants, road maintenance fees, as well as transfers from the other funds. Revenues are designated for construction, improvement, chip sealing, seal coating, and repair of streets or for payment of related municipal indebtedness. In 2018, the arterial street fund expended in excess of \$2.9 million on roadway improvements.

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

Unrestricted net position of the water/sewer fund at the end of the year amounted to \$7,093, and for the solid waste fund amounted to \$268. The total net position for the water/sewer fund increased by \$856 and the total net position for the solid waste fund decreased by \$30. 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 \$324 increase in appropriations.

At the end of the year, operating revenues exceeded budgetary estimates by \$395. Operating expenditures and transfers were \$295 less than budgetary estimates.

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

- Sales tax came in \$76 above budgeted amount due to increased economic activity and certain one-time amounts related to work being done by private entities within Kelso's city limits.
- State and federal grants exceeded budgeted amounts by \$353.

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, 2018 amounts to \$84,703 (net of related debt and accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, and infrastructure (roads, highways, and bridges constructed after December 31, 1979).

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

- In 2018, construction was completed on the new 2-million-gallon Minor Road Reservoir. It replaced two 90 plus year old concrete tanks. The old reservoirs did not meet current seismic building codes and were a high risk of failure from earthquake damage. The project was funded primarily through a Drinking Water

State Revolving Loan and a State grant. The total cost of this project through December 31, 2018, was \$5,514.

- In 2018, the City also completed major improvements to South Pacific Avenue. This project provided pavement rehabilitation, sidewalk repairs, storm drain system upgrades, and the replacement of a dilapidated sewer line on Pacific Avenue between Vine and Cherry. The total cost of this project through December 31, 2018, was \$1,526.

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

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$23,120	\$23,022	\$ 29	\$ 29	\$23,149	\$23,051
Buildings and structures	7,125	7,034	12,895	7,587	20,020	14,621
Improvements other than buildings	3,689	3,704	18,391	17,936	22,080	21,640
Machinery and equipment	966	1,053	1,611	1,752	2,577	2,805
Infrastructure	26,834	26,367	-	-	26,834	26,367
Construction in progress	1,990	653	157	1,807	2,147	2,460
Total	<u>\$63,724</u>	<u>\$61,833</u>	<u>\$33,083</u>	<u>\$29,111</u>	<u>\$96,807</u>	<u>\$90,944</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 \$4,530. 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$4,530	\$4,800	\$-	\$-	\$4,530	\$4,800
Revenue bonds	-	-	3,665	3,880	3,665	3,880
Total	<u>\$4,530</u>	<u>\$4,800</u>	<u>\$3,665</u>	<u>\$3,880</u>	<u>\$8,195</u>	<u>\$8,680</u>

The City of Kelso's total bonded debt decreased by \$485 during the current fiscal year.

In addition to the bonded debt mentioned above, the City has three Drinking Water State Revolving Fund loans outstanding at year end. The total amount outstanding at year end for these loans is \$4,332.

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 2018 was 5.9 percent, which is a decrease from a rate of 6.1 percent in 2017. This compares unfavorably to the State's average unemployment rate of 4.5 percent and the national average rate of 3.9 percent.
- In 2018, the City continued to experience a robust economy that provided higher than expected sales tax revenues. In addition, for the 2019/2020 biennium, the City maintained 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 2019 fiscal year.

At the end of the current fiscal year the unassigned fund balance in the general fund is \$6,111. In 2019, the City anticipates spending down \$351 of this unassigned fund balance. Most of the anticipated deficit stems from conservative revenue projections, enhanced street maintenance programs and certain technology upgrades planned for 2019.

In 2019, water and sewer non-industrial rates will be increased by 3% and 2%, respectively. Garbage and drainage rates will be increased by 4% 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.

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BASIC FINANCIAL STATEMENTS

City of Kelso
Statement of Net Position
December 31, 2018

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	\$ 6,986,937	\$ 7,749,694	\$ 14,736,631
Investments	1,788,054	795,946	2,584,000
Receivables (net of allowance for uncollectible):	2,930,962	2,160,771	5,091,733
Net pension asset	2,445,593	-	2,445,593
Long-term notes receivable	458,416	-	458,416
Restricted assets	-	814,142	814,142
Capital assets net of accumulated depreciation:			
Land	23,119,699	28,712	23,148,411
Buildings	7,125,005	12,895,051	20,020,056
Improvements other than buildings	3,689,328	18,390,516	22,079,844
Machinery and equipment	966,017	1,611,153	2,577,170
Infrastructure	26,834,157	-	26,834,157
Construction in progress	1,990,144	157,450	2,147,594
Total assets	<u>78,334,312</u>	<u>44,603,435</u>	<u>122,937,747</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	33,212	-	33,212
Deferred outflows related to pensions	423,504	178,507	602,011
Deferred outflows related to OPEB	63,578	-	63,578
Total deferred outflows of resources	<u>520,294</u>	<u>178,507</u>	<u>698,801</u>
LIABILITIES			
Accounts payable and other current liabilities	771,804	810,260	1,582,064
Interest payable	12,728	28,405	41,133
Unearned revenue	76,402	-	76,402
Liabilities payable from restricted assets	-	335,632	335,632
Long-term liabilities:			
Due within one year	390,175	657,450	1,047,625
Due in more than one year	4,882,333	7,426,040	12,308,373
Net pension liability	1,029,671	686,448	1,716,119
Total OPEB liability	5,875,460	-	5,875,460
Total liabilities	<u>13,038,573</u>	<u>9,944,235</u>	<u>22,982,808</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,107,249	264,240	1,371,489
Total deferred inflows of resources	<u>1,107,249</u>	<u>264,240</u>	<u>1,371,489</u>
NET POSITION			
Net investment in capital assets	59,025,290	25,677,353	84,702,643
Restricted for:			
Debt service	-	478,510	478,510
Capital projects	341,828	-	341,828
Promotion of tourism	103,662	-	103,662
Paths and trails	3,102	-	3,102
Street maintenance/construction	60,160	-	60,160
Criminal Justice	41,771	-	41,771
Affordable housing	42,571	-	42,571
Housing/neighborhood rehabilitation	331,959	-	331,959
Public education	18,701	-	18,701
Unrestricted	4,739,740	8,417,604	13,157,344
Total net position	<u>\$ 64,708,784</u>	<u>\$ 34,573,467</u>	<u>\$ 99,282,251</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, 2018

Functions/Programs	Program Revenues				Net (expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,035,802	\$ 135,549	\$ -	\$ -	\$ (1,900,253)	\$ -	\$ (1,900,253)
Security of persons and property	4,661,172	267,843	176,616	-	(4,216,713)	-	(4,216,713)
Physical environment	294,896	38,591	-	-	(256,305)	-	(256,305)
Transportation	2,489,561	412,415	333,638	2,331,924	588,416	-	588,416
Economic environment	302,234	155,765	-	-	(146,469)	-	(146,469)
Culture and recreation	1,227,728	97,253	4,000	251,956	(874,519)	-	(874,519)
Interest on long-term debt	148,730	-	-	-	(148,730)	-	(148,730)
Total governmental activities	11,160,123	1,107,416	514,254	2,583,880	(6,954,573)	-	(6,954,573)
Business-type activities:							
Water/Sewer	8,835,725	9,377,140	-	145,500	-	686,915	686,915
Solid waste	1,674,987	1,642,251	-	-	-	(32,736)	(32,736)
Storm water	677,951	843,433	6,240	-	-	171,722	171,722
Total business-type activities	11,188,663	11,862,824	6,240	145,500	-	825,901	825,901
Total primary government	\$ 22,348,786	\$ 12,970,240	\$ 520,494	\$ 2,729,380	\$ (6,954,573)	\$ 825,901	\$ (6,128,672)
General Revenues:							
Property taxes					1,506,282	-	1,506,282
Sales taxes					2,931,788	-	2,931,788
Utility taxes					3,358,475	-	3,358,475
Business taxes					986,242	-	986,242
Excise taxes					449,828	-	449,828
Penalties & interest					8,885	-	8,885
State entitlements (unrestricted)					978,482	-	978,482
Investment earnings					141,635	148,397	290,032
Miscellaneous					74,511	-	74,511
Gain/(loss) on sale of capital assets					186,181	-	186,181
Transfers					(43,561)	43,561	-
Total general revenues					10,578,748	191,958	10,770,706
Change in net position					3,624,175	1,017,859	4,642,034
Net position - beginning, restated (see note V.I.)					61,084,609	33,555,608	94,640,217
Net position - ending					\$ 64,708,784	\$ 34,573,467	\$ 99,282,251

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

City of Kelso
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Arterial Street Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 4,053,991	\$ 9,430	\$ 2,613,199	\$ 6,676,620
Investments	1,002,635	-	785,419	1,788,054
Receivables (net):				
Taxes	1,538,682	-	7,682	1,546,364
Accounts	226,511	-	30,390	256,901
Assessments	-	11,203	-	11,203
Due from other funds	-	-	32,000	32,000
Due from other governments	266,562	796,259	53,673	1,116,494
Advances to other funds	-	-	225,004	225,004
Long-term notes receivable	-	-	458,416	458,416
Total assets	<u>\$ 7,088,381</u>	<u>\$ 816,892</u>	<u>\$ 4,205,783</u>	<u>\$ 12,111,056</u>
LIABILITIES				
Accounts payable	389,987	342,115	39,702	771,804
Due to other funds	-	32,000	-	32,000
Advances from other funds	-	225,004	-	225,004
Unearned revenue	-	11,203	65,199	76,402
Total liabilities	<u>389,987</u>	<u>610,322</u>	<u>104,901</u>	<u>1,105,210</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property tax	66,961	-	-	66,961
Unavailable revenue-municipal court	94,049	-	-	94,049
Unavailable revenue-grants	-	21,562	-	21,562
Total deferred inflows of resources	<u>161,010</u>	<u>21,562</u>	<u>-</u>	<u>182,572</u>
FUND BALANCES (DEFICITS)				
Restricted for:				
Paths and trails	-	-	3,102	3,102
Promotion of tourism	-	-	103,662	103,662
Housing/neighborhood rehabilitation	-	-	331,959	331,959
Low income housing	42,571	-	-	42,571
Criminal justice	41,771	-	-	41,771
Street maintenance/construction	-	-	60,160	60,160
Capital projects	-	-	341,828	341,828
Public education	18,701	-	-	18,701
Assigned to:				
Debt service	-	-	2,671,773	2,671,773
Bridge maintenance	323,477	-	-	323,477
Recreation	-	-	7,500	7,500
Neighborhood rehabilitation	-	-	484,763	484,763
Criminal justice	-	-	74,233	74,233
Street maintenance/construction	-	185,008	-	185,008
Promotion of tourism	-	-	21,902	21,902
Unassigned	6,110,864	-	-	6,110,864
Total fund balances	<u>6,537,384</u>	<u>185,008</u>	<u>4,100,882</u>	<u>10,823,274</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 7,088,381</u>	<u>\$ 816,892</u>	<u>\$ 4,205,783</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.	63,090,341
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	182,572
Net Pension and Net OPEB Assets or Obligations are not considered to represent a financial resource or liability and, therefore, are not reported in the funds.	(5,079,705)
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.	944,326
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,252,024)
Net position of governmental activities	<u>\$ 64,708,784</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, 2018

	General Fund	Arterial Street Fund	Other Governmental Funds	Total
Revenues				
Taxes	\$ 8,227,226	\$ 434,678	\$ 592,553	\$ 9,254,457
Licenses and permits	168,834	-	-	168,834
Intergovernmental	1,456,284	2,229,369	186,828	3,872,481
Charges for services	1,075,747	165,510	4,712	1,245,969
Fines	136,005	-	2,052	138,057
Investment earnings	98,168	1,968	43,401	143,537
Contributions	4,000	-	-	4,000
Rental/lease income	101,821	-	10,920	112,741
Miscellaneous	57,968	1,886	23,055	82,909
Total revenues	<u>11,326,053</u>	<u>2,833,411</u>	<u>863,521</u>	<u>15,022,985</u>
Expenditures				
Current:				
General government	2,492,394	-	-	2,492,394
Security of persons and property	4,876,174	-	243,723	5,119,897
Physical environment	578,221	-	-	578,221
Transportation	1,244,536	247,154	-	1,491,690
Economic environment	309,889	-	73	309,962
Culture and recreation	860,898	-	226,469	1,087,367
Debt service:				
Principal	-	-	270,000	270,000
Interest and bond issuance costs	-	3,802	159,963	163,765
Capital outlay:				
General government	8,432	-	-	8,432
Transportation	-	2,660,789	-	2,660,789
Culture and recreation	300,063	-	128,854	428,917
Total expenditures	<u>10,670,607</u>	<u>2,911,745</u>	<u>1,029,082</u>	<u>14,611,434</u>
Excess (deficiency) of revenues over (under) expenditures	<u>655,446</u>	<u>(78,334)</u>	<u>(165,561)</u>	<u>411,551</u>
Other financing sources (uses)				
Sale of general capital assets	-	-	259,141	259,141
Transfers in	61,000	347,800	553,454	962,254
Transfers out	(608,413)	-	(397,402)	(1,005,815)
Total other financing sources (uses)	<u>(547,413)</u>	<u>347,800</u>	<u>415,193</u>	<u>215,580</u>
Net change in fund balances	108,033	269,466	249,632	627,131
Fund balances - beginning, restated (see note V.I.)	6,429,351	(84,458)	3,851,250	10,196,143
Fund balances - ending	<u>\$ 6,537,384</u>	<u>\$ 185,008</u>	<u>\$ 4,100,882</u>	<u>\$ 10,823,274</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, 2018

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

Net change in fund balances - total governmental funds (page 33)	\$ 627,131
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	1,877,539
The net effect of various miscellaneous transactions involving capital assets is to increase net assets.	59,134
The net effect of funding the City's annual required contribution to the State Pension Fund.	581,710
The net effect of funding the City's post-retirement health care benefits for LEOFF I (Law Enforcement Officers and Fire Fighters) employees.	203,018
Some revenues reported in the governmental funds have already been reported in the statement of activities in prior years.	(17,496)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	14,448
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.	270,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(5,543)
Some expenses reported in the governmental funds have already been reported in the statement of activities in prior years.	602
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.	13,632
Change in net position of governmental activities (page 31)	<u>\$ 3,624,175</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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,947,919	\$ 7,062,919	\$ 7,086,212	\$ 23,293
Licenses and permits	150,900	150,900	168,834	17,934
Intergovernmental	567,250	777,250	953,867	176,617
Charges for services	957,350	957,350	1,053,505	96,155
Fines	125,500	125,500	133,196	7,696
Investment earnings	32,500	32,500	84,378	51,878
Contributions	7,500	7,500	4,000	(3,500)
Rental/lease income	-	-	3,589	3,589
Other miscellaneous	12,000	12,000	33,177	21,177
Total revenues	<u>8,800,919</u>	<u>9,125,919</u>	<u>9,520,758</u>	<u>394,839</u>
Expenditures				
General government:				
Council	167,121	171,721	149,609	22,112
Municipal court	234,600	299,600	325,076	(25,476)
Manager	345,400	345,400	344,068	1,332
Finance	643,600	643,600	651,128	(7,528)
Attorney	169,575	169,575	123,903	45,672
Other - unclassified	821,970	989,970	898,610	91,360
Total general government	<u>2,382,266</u>	<u>2,619,866</u>	<u>2,492,394</u>	<u>127,472</u>
Security of persons and property:				
Police	4,339,679	4,347,679	4,163,910	183,769
Jail	315,000	315,000	327,089	(12,089)
Fire	393,000	393,000	262,980	130,020
Other	111,620	136,620	122,195	14,425
Total security of persons and property	<u>5,159,299</u>	<u>5,192,299</u>	<u>4,876,174</u>	<u>316,125</u>
Physical environment	<u>591,750</u>	<u>612,750</u>	<u>578,221</u>	<u>34,529</u>
Transportation	<u>121,000</u>	<u>271,000</u>	<u>412,470</u>	<u>(141,470)</u>
Economic environment	<u>313,830</u>	<u>332,030</u>	<u>309,889</u>	<u>22,141</u>
Capital outlay	<u>16,000</u>	<u>16,000</u>	<u>8,432</u>	<u>7,568</u>
Total expenditures	<u>8,584,145</u>	<u>9,043,945</u>	<u>8,677,580</u>	<u>366,365</u>
Excess (deficiency) of revenues over (under) expenditures	<u>216,774</u>	<u>81,974</u>	<u>843,178</u>	<u>761,204</u>
Other financing sources (uses)				
Transfers in	61,000	61,000	61,000	-
Transfers out	(673,662)	(537,512)	(608,824)	(71,312)
Total other financing sources (uses)	<u>(612,662)</u>	<u>(476,512)</u>	<u>(547,824)</u>	<u>(71,312)</u>
Net change in fund balances budgetary basis	<u>(395,888)</u>	<u>(394,538)</u>	<u>295,354</u>	<u>689,892</u>
Reconciliation of budgetary/GAAP basis:				
Basis difference (See note III.B.)			(187,321)	
Net change in fund balance GAAP basis			108,033	
Fund balance - beginning, restated (see note V.L.)			6,429,351	
Fund balance - ending			<u>\$ 6,537,384</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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 434,678	\$ 434,678
Intergovernmental	700,000	3,807,200	2,229,369	(1,577,831)
Charges for services	162,000	162,000	165,510	3,510
Investment earnings	100	100	1,968	1,868
Miscellaneous	2,000	2,000	1,886	(114)
Total revenues	<u>864,100</u>	<u>3,971,300</u>	<u>2,833,411</u>	<u>(1,137,889)</u>
Expenditures				
Transportation	400,000	235,000	247,154	(12,154)
Capital outlay	1,100,000	4,130,000	2,660,789	1,469,211
Debt Service:				
Principal	34,500	34,500	-	34,500
Interest and bond issuance costs	1,450	1,450	3,802	(2,352)
Total expenditures	<u>1,535,950</u>	<u>4,400,950</u>	<u>2,911,745</u>	<u>1,489,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(671,850)</u>	<u>(429,650)</u>	<u>(78,334)</u>	<u>351,316</u>
Other financing sources (uses)				
Transfers in	423,950	487,800	347,800	(140,000)
Total other financing sources (uses)	<u>423,950</u>	<u>487,800</u>	<u>347,800</u>	<u>(140,000)</u>
Net change in fund balance	<u>(247,900)</u>	<u>58,150</u>	<u>269,466</u>	<u>211,316</u>
Fund balance - beginning	<u>(84,458)</u>	<u>(84,458)</u>	<u>(84,458)</u>	<u>-</u>
Fund balance - ending	<u>\$ (332,358)</u>	<u>\$ (26,308)</u>	<u>\$ 185,008</u>	<u>\$ 211,316</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, 2018

	Business-type Activities - Enterprise Funds				
	Major Funds		Non-Major Fund		Equipment Reserve Internal Service Fund
	Solid Waste	Water-Sewer	Storm Water	Total	
ASSETS					
Current Assets:					
Cash & cash equivalents	\$ 147,985	\$ 6,533,443	\$ 389,065	\$ 7,070,493	\$ 989,518
Investments	-	795,946	-	795,946	-
Restricted cash, cash equivalents, and investments:					
Customer deposits	-	335,632	-	335,632	-
Accounts receivable	278,377	1,591,863	145,031	2,015,271	-
Due from other governments	-	145,500	-	145,500	-
Total current assets	426,362	9,402,384	534,096	10,362,842	989,518
Noncurrent assets:					
Restricted cash, cash equivalents, and investments:					
Cash - revenue bond covenants	-	92,690	-	92,690	-
Investments - revenue bond covenants	-	385,820	-	385,820	-
Capital Assets:					
Land	-	28,712	-	28,712	-
Buildings and structures	-	15,766,669	-	15,766,669	-
Improvements other than buildings	-	29,361,289	1,307,160	30,668,449	-
Machinery and equipment	-	2,697,618	43,401	2,741,019	3,581,585
Construction in progress	-	157,450	-	157,450	-
Less accumulated depreciation	-	(16,444,619)	(414,074)	(16,858,693)	(2,368,300)
Total capital assets (net of accumulated depreciation)	-	31,567,119	936,487	32,503,606	1,213,285
Total noncurrent assets	-	32,045,629	936,487	32,982,116	1,213,285
Total Assets	426,362	41,448,013	1,470,583	43,344,958	2,202,803
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	147,268	31,239	178,507	-
Total Deferred Outflows of Resources	-	147,268	31,239	178,507	-

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

	Business-type Activities - Enterprise Funds				
	Major Funds		Non-Major Fund		Internal Service Funds
	Solid Waste	Water-Sewer	Storm Water	Total	
LIABILITIES					
Current Liabilities:					
Accounts payable	158,459	642,976	8,825	810,260	-
Compensated absences	-	18,309	3,211	21,520	-
Customer deposits	-	335,632	-	335,632	-
Accrued interest payable	-	28,405	-	28,405	-
Current revenue bonds payable	-	225,000	-	225,000	-
Current portion notes payable	-	410,930	-	410,930	-
Total current liabilities	158,459	1,661,252	12,036	1,831,747	-
Noncurrent liabilities:					
Compensated absences	-	54,928	9,635	64,563	-
Revenue bonds payable	-	3,440,000	-	3,440,000	-
Notes payable	-	3,921,477	-	3,921,477	-
Net pension liability	-	566,320	120,128	686,448	-
Total noncurrent liabilities	-	7,982,725	129,763	8,112,488	-
Total Liabilities	158,459	9,643,977	141,799	9,944,235	-
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	217,998	46,242	264,240	-
Total Deferred Inflows of Resources	-	217,998	46,242	264,240	-
NET POSITION					
Net investment in capital assets	-	24,161,590	936,487	25,098,077	1,213,285
Restricted for debt service	-	478,510	-	478,510	-
Unrestricted	267,903	7,093,206	377,294	7,738,403	989,518
Total net position	\$ 267,903	\$ 31,733,306	\$ 1,313,781	33,314,990	\$ 2,202,803
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				1,258,477	
Net position of business-type activities				\$ 34,573,467	

City of Kelso
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	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	\$ 1,641,559	\$ 9,104,108	\$ 797,428	\$ 11,543,095	\$ 287,300
Other operating revenue	692	203,483	15,928	220,103	10,012
Total operating revenues	1,642,251	9,307,591	813,356	11,763,198	297,312
Operating expenses:					
General operations	897,418	3,540,800	576,376	5,014,594	587
Contracted processing operations	513,586	2,940,777	-	3,454,363	-
Maintenance	14,838	196,246	76,430	287,514	-
Depreciation	-	776,514	19,940	796,454	220,226
Taxes	249,145	1,205,455	11,276	1,465,876	-
Total operating expenses	1,674,987	8,659,792	684,022	11,018,801	220,813
Operating income (loss)	(32,736)	647,799	129,334	744,397	76,499
Nonoperating revenues (expenses):					
Investment earnings	2,617	126,306	8,912	137,835	15,972
Intergovernmental	-	-	6,240	6,240	-
Other	-	49,637	12,713	62,350	-
Interest expense	-	(200,863)	-	(200,863)	-
Total nonoperating revenues (expenses)	2,617	(24,920)	27,865	5,562	15,972
Income (loss) before capital contributions,	(30,119)	622,879	157,199	749,959	92,471
Capital contributions	-	145,500	-	145,500	-
Transfers in	-	87,122	-	87,122	-
Transfers out	-	-	(43,561)	(43,561)	-
Change in net position	(30,119)	855,501	113,638	939,020	92,471
Total net position - beginning	298,022	30,877,805	1,200,143		2,110,332
Total net position - ending	\$ 267,903	\$ 31,733,306	\$ 1,313,781		\$ 2,202,803
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				78,839	
Change in net position of business-type activities				\$ 1,017,859	

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, 2018

	Business-type Activities - Enterprise Funds				
	Major Funds		Non-Major Fund		Equipment Reserve Internal Service Fund
	Solid Waste	Water-Sewer	Storm Water	Totals	
Cash flows from operating activities					
Receipts from customers and users	\$ 1,635,956	\$ 8,782,515	\$ 781,054	\$ 11,199,525	\$ -
Receipts from other sources	692	156,939	6,071	163,702	-
Receipts from interfund services provided	-	93,088	15,928	109,016	298,278
Payments to suppliers and service providers	(1,567,727)	(5,890,230)	(268,673)	(7,726,630)	(587)
Payments to employees	(8,241)	(1,611,460)	(308,383)	(1,928,084)	-
Payments for interfund services used	(87,401)	(445,166)	(108,385)	(640,952)	-
Net cash provided (used) by operating activities	(26,721)	1,085,686	117,612	1,176,577	297,691
Cash flows from noncapital financing activities					
Operating grants received	-	-	50,000	50,000	-
Transfer from (to) other funds	-	87,122	(43,561)	43,561	-
Net cash provided (used) by noncapital financing activities	-	87,122	6,439	93,561	-
Cash flows from capital and related financing activities					
Proceeds from capital recovery fees	-	49,637	12,713	62,350	-
Proceeds from State Revolving Fund loan	-	3,747,977	-	3,747,977	-
Acquisition and construction of capital assets	-	(4,528,634)	(294,404)	(4,823,038)	(301,705)
Principal paid on capital debt	-	(602,603)	-	(602,603)	-
Interest paid on capital debt	-	(189,014)	-	(189,014)	-
Net cash provided (used) by capital financing activities	-	(1,522,637)	(281,691)	(1,804,328)	(301,705)
Cash flows from investing activities					
Interest received	2,617	120,951	8,912	132,480	15,972
Net cash provided (used) by investing activities	2,617	120,951	8,912	132,480	15,972
Net increase (decrease) in cash and cash equivalents	(24,104)	(228,878)	(148,728)	(401,710)	11,958
Cash and cash equivalents, January 1	172,089	7,190,643	537,793	7,900,525	977,560
Cash and cash equivalents, December 31	\$ 147,985	\$ 6,961,765	\$ 389,065	\$ 7,498,815	\$ 989,518
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (32,736)	\$ 647,799	\$ 129,334	\$ 744,397	\$ 76,499
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	776,514	19,940	796,454	220,226
(Increase) decrease in accounts receivable	(5,603)	(245,158)	(10,303)	(261,064)	966
Increase (decrease) in customer deposits	-	(29,891)	-	(29,891)	-
Increase (decrease) in accounts payable	11,618	14,542	(4,958)	21,202	-
Increase (decrease) in compensated absences	-	(362)	93	(269)	-
Increase (decrease) in pension expense	-	(77,758)	(16,494)	(94,252)	-
Total adjustments	6,015	437,887	(11,722)	432,180	221,192
Net cash provided (used) by operating activities	\$ (26,721)	\$ 1,085,686	\$ 117,612	\$ 1,176,577	\$ 297,691
Schedule of non-cash investing activities:					
Gain in fair market value of investments.	\$ -	\$ 5,355	\$ -	\$ 5,355	\$ -

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, 2018

	Airport Agency Fund
	<hr/>
Assets	
Cash & cash equivalents	\$ 584,426
Receivables	27,186
Total assets	<hr/> 611,612 <hr/>
 Liabilities	
Accounts payable	58,607
Due to other governments	150,000
Custodial accounts	403,005
Total liabilities	<hr/> \$ 611,612 <hr/>

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

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

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 Agency fund.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year-end). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

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.

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, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all State sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

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

1. Deposits and investments

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

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

Investments Measured at Amortized Cost

As of December 31, 2018 the City has \$13,803,129 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.

Investments Measured at Fair Value

The City measures and reports certain investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

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

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

At December 31, 2018, the City had the following investments measured at fair value:

Investment type	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Federal Farm Credit Bank	\$ -	\$ 2,969,820	\$ -
Total Investments by Fair Value Level	\$ -	\$ 2,969,820	\$ -

These investments are valued daily by ICE Data Services using evaluations based on various market and industry inputs.

2. Receivables and payables

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided, as well as, court ordered fines. Taxes receivable consist of property, sales, and utility taxes and related interest and penalties (See Note V.B.). Special assessments consist of assessments which are recorded when levied and are liens against the property benefited. There is \$201 in delinquent special assessments as of December 31, 2018.

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.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

4. *Restricted assets*

Certain proceeds of the City's water/sewer fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. In addition, deposits received from customers for water service are also restricted.

The restricted assets of the enterprise funds consists of \$814,142 which is cash and investments held for debt service and customer deposit refunds.

5. *Capital assets*

Capital assets – which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) – are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The City recognizes a distinction between a 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	10 - 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.

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

7. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation, comp-time, and sick pay benefits. All vacation pay, comp-time pay, and eligible sick pay is accrued when incurred in the government-wide 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.

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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 and proprietary fund statements, and is "fund balance" on the governmental fund statements.

10. Fund balance components

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

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

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

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

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

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

11. Data reclassifications

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

II. Reconciliation of government-wide and fund financial statements

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

The governmental funds balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(5,252,024) difference are as follows:

Bonds payable	\$ (4,530,000)
Deferred charges/loss on issuance (to be amortized over life of debt)	33,212
Premium on G.O. Bond (to be amortized over life of debt)	(301,807)
Accrued interest payable	(12,728)
Compensated absences	(440,701)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (5,252,024)</u></u>

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Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.” The details of this \$63,090,341 difference are as follows:

Capital assets used in governmental fund operations	\$89,465,625
Less: Accumulated depreciation	<u>(26,375,284)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$63,090,341</u>

Another element of that reconciliation explains that “Net Pension and Net OPEB Assets or Obligations are not considered to represent a financial resource or liability and, therefore, are not reported in the funds. The details of this \$(5,079,705) difference are as follows:

Net OPEB obligation	\$(5,875,460)
Net pension obligation	(1,029,671)
Net pension asset	2,445,593
Deferred inflows related to pensions	(1,107,249)
Deferred outflows related to OPEB	63,578
Deferred outflows related to pensions	<u>423,504</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(5,079,705)</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 \$182,572 difference are as follows:

Property taxes receivable	\$ 66,961
Grants receivable	21,562
Court ordered fines receivable – net	<u>94,049</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 182,572</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

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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 \$1,877,539 difference are as follows:

Capital outlay	\$ 3,098,138
Depreciation expense	<u>(1,220,599)</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>\$ 1,877,539</u>

Another element of that reconciliation states that “Some revenues reported in the governmental funds have already been reported in the statement of activities in prior years.” The details of this \$(17,496) difference are as follows:

Property tax receivable	\$ (12,957)
Grants receivable	<u>(4,539)</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>\$ (17,496)</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 \$14,448 difference are as follows:

Court ordered fines	\$ <u>14,448</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>\$ 14,448</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 \$270,000 difference are as follows:

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Principal repayments:

General obligation debt	\$ 270,000
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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> .	\$ 270,000
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Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$59,134 difference are as follows:

Donations of capital assets	\$ 132,094
Loss on disposition of capital assets	<u>(72,960)</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> .	\$ 59,134
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Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(5,543) difference are as follows:

Compensated absences	\$ (19,976)
Amortization of issuance costs	(3,321)
Amortization of bond premium	<u>17,754</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> .	\$ (5,543)
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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,

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budgetary comparisons for proprietary fund types. Biennial budgets are adopted at the level of the fund, and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations for general and special revenue funds lapse at year-end.

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

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

The City Manager is authorized to transfer budgeted amounts between departments within any fund and object classes within departments; however, any revisions that alter the total expenditures of a fund or that effect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority plus one upon second reading of the proposed ordinance amending the budget. The 2018 budget was amended three times. Budget amounts shown in the fund financial statements include the original budget amounts plus the revised budget amounts approved by the City Council.

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

B. Budgetary/GAAP basis reconciliation

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

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Revenues:

Street fund	\$ 662,185
Library fund	578,582
Kelso Station fund	59,219
Parks Fund	549,273
Façade Fund	8

Expenditures:

Street fund	(818,129)
Library fund	(539,432)
Kelso Station fund	(57,498)
Parks Fund	<u>(621,529)</u>

Total General fund Basis difference \$ (187,321)

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, 2018, the City had the following deposits and investments:

<u>Investment type</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash		
FDIC or WPDPC insured deposits		\$ 2,985,904
In-transit items		(1,046,804)
Petty cash on hand		<u>7,150</u>
Total Cash		<u>1,946,250</u>
Investments		
Federal Farm Credit Bank	5/16/2019	1,377,927
Federal Farm Credit Bank	1/13/2020	1,591,893
State Treasurer's investment pool	< 90 days	<u>13,803,129</u>
Total investments		<u>16,772,949</u>
Total Cash, Cash Equivalents, Investments		<u>\$ 18,719,199</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 the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy with regard to custodial credit risk, however, for all of 2018, the City's investments were either in the Washington State Local Government Investment Pool or held in a custodial safekeeping account with a bank.

CITY OF KELSO
Notes to the Financial Statements
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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 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	\$1,539	\$ -	\$ -	\$ -	\$ 8	\$ -	\$1,547
Accounts	226	-	278	1,592	30	145	2,271
Special Assessments	-	11	-	-	-	-	11
Intergovernmental	267	796	-	145	54	-	1,262
Long-term notes	-	-	-	-	458	-	458
Net total receivables	<u>\$2,032</u>	<u>\$ 807</u>	<u>\$ 278</u>	<u>\$1,737</u>	<u>\$ 550</u>	<u>\$ 145</u>	<u>\$5,549</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)	\$ 66,961	\$ -
Delinquent Court ordered fines receivable (general fund)	94,049	-
Grants received (arterial street fund)	21,562	-
Grants received (Non-major fund)	-	43,938
Special assessments not due yet (arterial street fund)	-	11,203
Prepaid lease (Non-major fund)	-	21,261
Total deferred/unearned revenue for governmental funds	<u>\$ 182,572</u>	<u>\$ 76,402</u>

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Notes to the Financial Statements
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C. Capital assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$23,021,844	\$ 128,855	\$ 31,000	\$23,119,699
Construction in progress	652,794	1,617,945	280,595	1,990,144
Total capital assets, not being depreciated	<u>23,674,638</u>	<u>1,746,800</u>	<u>311,595</u>	<u>25,109,843</u>
Capital assets, being depreciated:				
Buildings	11,928,790	289,704	152,581	12,065,913
Improvements other than buildings	6,631,812	107,094	-	6,738,906
Machinery and equipment	3,039,572	115,649	292,954	2,862,267
Infrastructure	43,788,339	1,358,797	381,320	44,765,816
Total capital assets being depreciated	<u>65,388,513</u>	<u>1,871,244</u>	<u>826,855</u>	<u>66,432,902</u>
Less accumulated depreciation for:				
Buildings	4,894,951	156,578	110,621	4,940,908
Improvements other than buildings	2,927,173	122,405	-	3,049,578
Machinery and equipment	1,986,230	202,974	292,954	1,896,250
Infrastructure	17,421,681	891,298	381,320	17,931,659
Total accumulated depreciation	<u>27,230,035</u>	<u>1,373,255</u>	<u>784,895</u>	<u>27,818,395</u>
Total capital assets, being depreciated, net	<u>38,158,478</u>	<u>497,989</u>	<u>41,960</u>	<u>38,614,507</u>
Governmental activities capital assets, net	<u>\$61,833,116</u>	<u>\$ 2,244,789</u>	<u>\$ 353,555</u>	<u>\$63,724,350</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 28,712	\$ -	\$ -	\$ 28,712
Construction in progress	1,807,656	4,820,703	6,470,909	157,450
Total capital assets, not being depreciated	<u>1,836,368</u>	<u>4,820,703</u>	<u>6,470,909</u>	<u>186,162</u>
Capital assets, being depreciated:				
Buildings and structures	10,252,801	5,513,867	-	15,766,668
Improvements other than buildings	29,711,407	957,042	-	30,668,449
Machinery and equipment	4,229,919	15,566	-	4,245,485
Total capital assets being depreciated	<u>44,194,127</u>	<u>6,486,475</u>	<u>-</u>	<u>50,680,602</u>
Less accumulated depreciation for:				
Buildings and structures	2,665,318	206,299	-	2,871,617
Improvements other than buildings	11,776,042	501,891	-	12,277,933
Machinery and equipment	2,478,497	155,835	-	2,634,332
Total accumulated depreciation	<u>16,919,857</u>	<u>864,025</u>	<u>-</u>	<u>17,783,882</u>
Total capital assets, being depreciated, net	<u>27,274,270</u>	<u>5,622,450</u>	<u>-</u>	<u>32,896,720</u>
Business-type activities capital assets, net	<u>\$29,110,638</u>	<u>\$10,443,153</u>	<u>\$6,470,909</u>	<u>\$33,082,882</u>

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

Governmental activities:		
General government		\$ 99,268
Security of persons and property		3,569
Transportation		965,907
Culture and recreation		151,855
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.		<u>152,656</u>
Total depreciation expense – governmental activities		<u>\$1,373,255</u>
Business-type activities:		
Water		\$ 470,322
Sewer		306,192
Storm water drainage		19,940
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.		<u>67,571</u>
Total depreciation expense – business-type activities		<u>\$ 864,025</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2018 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	\$ 32,000	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	225,004	Roadway Improvements

<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Arterial Street	\$ 347,800	Roadway Improvements
General fund	Water/Sewer	43,561	Repairs and Maintenance
General fund	Nonmajor govt.	125,963	Debt service
General fund	Nonmajor govt.	<u>107,491</u>	Routine operating
Sub-Total		624,815	
Nonmajor govt.	General Fund	61,000	Nuisance abatement
	Nonmajor govt.	175,000	Debt service
	Nonmajor govt.	130,000	Debt service
	Nonmajor govt.	<u>15,000</u>	Routine operating
Sub-Total		381,000	
Total		<u>\$ 1,005,815</u>	

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Notes to the Financial Statements
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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%	\$1,745,000
Governmental activities – Roadway improvements	2.00% – 4.00%	<u>2,785,000</u>
		<u>\$4,530,000</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>
2019	\$ 280,000	\$ 152,733
2020	290,000	145,233
2021	295,000	138,038
2022	305,000	130,698
2023	310,000	122,535
2024-2028	1,710,000	470,880
2029-2033	920,000	197,400
2034-2038	<u>420,000</u>	<u>25,400</u>
Total	<u>\$4,530,000</u>	<u>\$1,382,917</u>

In 2016, the City of Kelso was awarded a Drinking Water State Revolving Fund Loan (DWSRF) in the amount of \$4,529,850 (which included \$44,850 loan fee) for the replacement of a reservoir and the addition of a transmission line associated with the reservoir. The interest rate on the loan is 1.5 percent and the maturity date is October 1, 2035. As of December 31, 2018 the City has drawn down \$4,012,214 in loan funds. The City has also received two government loans for the reconstruction of City's water treatment plant. Government loans outstanding at year-end are as follows:

<u>Issuance</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
1999 DWSRF – \$2,040,000	Business-type activities	2.50%	\$ 215,828
2001 DWSRF – \$1,500,000	Business-type activities	1.50%	318,369
2016 DWSRF – \$4,012,214	Business-type activities	1.50%	<u>3,798,210</u>
Total government loans			<u>\$4,332,407</u>

CITY OF KELSO
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December 31, 2018

Annual debt service requirements to maturity for governmental loans are as follows:

Year ending <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 410,930	\$ 67,145
2020	410,930	59,901
2021	303,016	52,658
2022	303,016	48,113
2023	223,424	43,567
2024-2028	1,117,121	167,568
2029-2033	1,117,121	83,784
2034-2038	<u>446,849</u>	<u>10,054</u>
Total	<u>\$4,332,407</u>	<u>\$ 532,790</u>

Revenue bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Water/Sewer revenue bond covenants require that revenue available for debt service (defined as operating and nonoperating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 to 1. The City remains in compliance with that provision with a current ratio of 4.22 to 1 coverage. See page 137.

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

* Interest rate shown is not net of federal subsidy

Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water improvements – taxable	5.50% - 7.40%	<u>3,665,000</u>
		<u>\$3,665,000</u>

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Revenue bond debt service requirements to maturity are as follows:

Year ending December 31	Business-type Activities	
	Principal	Interest*
2019	\$ 225,000	\$ 253,510
2020	225,000	241,135
2021	240,000	228,198
2022	250,000	212,238
2023	255,000	195,613
2024-2028	1,455,000	700,475
2029-2033	<u>1,015,000</u>	<u>152,070</u>
Total	<u>\$3,665,000</u>	<u>\$1,983,239</u>

*Interest is not net of Federal Subsidy

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,800,000	\$ -	\$ 270,000	\$ 4,530,000	\$ 280,000
G.O. bond premium	319,561	-	17,754	301,807	-
Compensated absences	420,725	440,701	420,725	440,701	110,175
Net Pension obligation	1,301,693	-	272,022	1,029,671	-
Total OPEB obligation	<u>6,100,792</u>	<u>213,947</u>	<u>439,279</u>	<u>5,875,460</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$12,942,771</u>	<u>\$ 654,648</u>	<u>\$ 1,419,780</u>	<u>\$12,177,639</u>	<u>\$ 390,175</u>
Business-type activities:					
Revenue bonds	\$3,880,000	\$ -	\$ 215,000	\$3,665,000	\$ 225,000
Drinking Water State Revolving Fund	972,033	3,747,977	387,603	4,332,407	410,930
Compensated absences	86,352	86,083	86,352	86,083	21,520
Net Pension obligation	<u>867,795</u>	<u>-</u>	<u>181,347</u>	<u>686,448</u>	<u>-</u>
Business-type activity Long-term liabilities	<u>\$5,806,180</u>	<u>\$3,834,060</u>	<u>\$ 870,302</u>	<u>\$8,769,938</u>	<u>\$ 657,450</u>

*Restated (see note V.I)

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

V. Other information

A. Risk management

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

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Washington Cities Insurance Authority

The City of Kelso is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 160 members.

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

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

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

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, 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.

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

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

Association of Washington Cities Employee Benefit Trust Health Care Program

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

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

As of December 31, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical insurance through 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, 2018 was \$395,894. The AWC Trust HCP is responsible for payment of all covered claims. In 2017 the AWC

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Trust HCP purchased stop loss insurance for Regence/ Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1,000,000 with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

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Unemployment Insurance

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

2018	\$ 8,425
2017	\$ 30,661
2016	\$ 8,108

B. Property Taxes

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

Property Tax Calendar

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

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

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

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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 2018 was \$1.8485 per \$1,000 on an assessed valuation of \$817,786,086 for a total regular levy of \$1,511,643.

C. Subsequent event

In 2016, the City of Kelso was awarded a Drinking Water State Revolving Fund Loan (DWSRF) in the amount of \$4,529,850. Subsequent to year end, the City received \$517,636 in loan proceeds. The total amount drawn down on this loan as of the date of this report is \$4,529,850.

D. Contingent liabilities

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

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

E. 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 2018, The City of Kelso

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paid TRRWA a total of \$2,940,777. 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. Complete financial statements for the TRRWA can be obtained from the TRRWA at 207 4th Avenue North, Kelso, WA 98626

F. Joint Venture

Southwest Washington Regional Airport Board

In 2012 the City of Kelso entered into an interlocal agreement with Cowlitz County, the City of Longview, and the Port of Longview, to form the Airport Operations Board (The Board). The Board was created so that the participating entities can equitably share in the operations and improvements of the Southwest Washington Regional Airport. However, the City of Kelso retains final decision making authority in all decisions as may be required of a sponsor by the Federal Aviation Administration (FAA) under the grant assurances included in Kelso's previous and future grant agreements. The Board is governed by a 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 2018 were \$76,000.

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, 2018, 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.

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G. 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 2018:

Aggregate Pension Amounts – All Plans	
OPEB liabilities	\$ (5,875,460)
Deferred outflows of resources	\$ 63,578
OPEB expenditures	\$ (62,073)

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, 2018, there are 13 LEOFF 1 retirees covered by the benefit terms. There are no active employees 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 \$140,945 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 \$5,875,460 was measured as of June 30, 2018, 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, 2018 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 2016 LEOFF 1 Medical Benefits Actuarial Valuation Report published by the Washington State Actuary's Office:

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- **Inflation:** 3.00 percent
- **Discount rate:** 3.87 percent
- **Healthcare cost trend rates:** Initial medical costs rate is approximately 7% and trends down to about 5% in 2080. Long-term care is 4.5%. Medicare Part B premiums is approximately 5%.

A 3% 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.

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 7.0 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1% Increase (8.0%)
Total OPEB Liability	\$5,303,103	\$5,875,460	\$6,538,809

Discount Rate. The following presents the total OPEB liability of the City of Kelso calculated using the current discount rate of 3.87 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$6,581,536	\$5,875,460	\$5,280,174

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Change in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2017	<u>\$ 6,100,792</u>
Changes for the year:	
Interest cost	213,947
Changes in Experience Data and Assumptions	(187,842)
Estimated Benefit payments	<u>(251,437)</u>
Net changes	<u>225,332</u>
Balance at 6/30/2018	<u>\$ 5,875,460</u>

Changes in experience data and assumptions reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

Deferred outflows of resources of \$63,578 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, 2019.

Voluntary Employees Beneficiary Association Plan (VEBA)

The City of Kelso, through Infinisource Inc., administers a single-employer defined contribution VEBA plan. The terms of this plan were established through various union contracts as well as the City's employee handbook. Amendments to the terms in union contracts must be negotiated and the terms in the employee handbook may be amended by the City Council at any time.

The City makes monthly contributions into a Health Reimbursement Arrangement (HRA)/VEBA account for employees that participate in one of the high-deductible health insurance plans offered by the City. The City contributes \$125 each month for Employee Only coverage or \$250 each month for Employee plus Spouse and/or Dependent coverage. Employees who do not participate in a high-deductible insurance plan may be eligible for VEBA contributions if the City's equivalent cost contribution to the high-deductible is greater than the premium for a non-high-deductible plan, the difference shall be deposited into the employee's HRA/VEBA account established for this purpose.

In addition, eligible employees and/or their spouses/dependents may choose to opt out of City-provided health coverage and receive a monthly City contribution to a HRA/VEBA account equal to half of the employer's premium cost equivalent (which includes the high deductible plan premium plus HRA monthly contribution). The incentive shall be provided for any eligible spouse or dependent(s) opting out of City coverage that result in a premium cost savings to the City. An employee may only opt out if eligible for alternative insurance coverage. No more than twenty-five percent

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(25%) of employees throughout the organization may choose to opt out of City-provided coverage.

Contributions to the plan in 2018 were \$37,230 and there are no assets accumulated in a qualifying trust.

H. Employee retirement systems and pension plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2018:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (1,716,119)
Pension assets	\$ 2,445,593
Deferred outflows of resources	\$ 602,011
Deferred inflows of resources	\$ (1,371,489)
Pension expense/expenditures	\$ (48,920)

State Sponsored Pension Plans

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; State employees: employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees

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not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January – August 2018		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	-
Administrative Fee	.18%	-
Total	12.70%	6.00%
September – December 2018		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	-
Administrative Fee	.18%	-
Total	12.83%	6.00%

The City's actual contributions to the plan were \$0 for the year ended December 31, 2018 as the City does not have any active employees eligible for PERS 1 benefits.

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

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty 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 2018 were as follows:

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PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
January – August 2018		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	-
Administrative Fee	.18%	-
Employee PERS Plan 3		varies
Total	12.70%	7.38%
September – December 2017		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	-
Administrative Fee	.18%	-
Employee PERS Plan 3		varies
Total	12.83%	7.41%

The City's actual plan contributions were \$165,771 to PERS Plan 1 and \$244,652 to PERS Plan 2/3 for the year ended December 31, 2018.

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

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.25%	8.75%
Administrative Fee	.18%	-
Total	5.43%	8.75%

The City's actual contributions to the plan were \$131,270 for the year ended December 31, 2018.

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, 2018 the State contributed \$68,152.127 to LEOFF Plan 2.

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Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, 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 based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

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Notes to the Financial Statements
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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 included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 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 and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	<u>23%</u>	9.30%
	100%	

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Notes to the Financial Statements
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Sensitivity of the NPL

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	\$ 1,416,521	\$ 1,152,639	\$ 924,063
PERS 2/3	2,577,370	563,480	(1,087,685)
LEOFF 1	(612,528)	(769,973)	(905,523)
LEOFF 2	(222,826)	(1,675,620)	(2,860,543)

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, 2018, the City reported a total pension liability of \$1,716,119 for its proportionate share of the net pension liabilities as follows:

	<u>Liability (or Asset)</u>
PERS 1	\$ 1,152,639
PERS 2/3	\$ 563,480
LEOFF 1	\$ (769,973)
LEOFF 2	\$(1,675,620)

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 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>Liability (or Asset)</u>
LEOFF 1 – employer's proportionate share	\$ (769,973)
LEOFF 1 – State's proportionate share of the net pension liability/(asset) associated with the employer	<u>(5,208,075)</u>
TOTAL	\$ (5,978,048)

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December 31, 2018

	<u>Liability (or Asset)</u>
LEOFF 2 – employer’s proportionate share	\$ (1,675,620)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	<u>(1,084,932)</u>
TOTAL	<u>\$ (2,760,553)</u>

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

<u>Plan</u>	<u>Proportionate Share 6/30/17</u>	<u>Proportionate Share 6/30/18</u>	<u>Change in Proportion</u>
PERS 1	% .023545	% .025809	% .002264
PERS 2/3	.030285	.033002	.002717
LEOFF 1	.041694	.042411	.000717
LEOFF 2	.077629	.082534	.004905

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, the State of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2018, the State of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

Pension Expense

For the year ended December 31, 2018, the City recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ 199,980
PERS 2/3	(25,187)
LEOFF 1	(133,655)
LEOFF 2	<u>(90,058)</u>
TOTAL	\$ <u>(48,920)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (45,805)
Contributions subsequent to the measurement date	<u>82,275</u>	<u>-</u>
TOTAL PERS Plan 1	\$ <u>82,275</u>	\$ <u>(45,805)</u>

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,068	\$ (98,655)
Net difference between projected and actual investment earnings on pension plan investments	-	(345,777)
Changes of assumptions	6,592	(160,362)
Changes in proportion and differences between contributions and proportionate share of contributions	167,071	(10,001)
Contributions subsequent to the measurement date	<u>121,262</u>	<u>-</u>
TOTAL PERS Plan 2	\$ <u>363,993</u>	\$ <u>(614,795)</u>

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Notes to the Financial Statements
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LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (62,511)
TOTAL LEOFF Plan 1	\$ -	\$ (62,511)

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,760	\$ (38,908)
Net difference between projected and actual investment earnings on pension plan investments	-	(293,256)
Changes in assumptions	949	(240,482)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(75,732)
Contributions subsequent to the measurement date	<u>65,034</u>	<u>-</u>
TOTAL LEOFF Plan 2	\$ 155,743	\$ (648,378)

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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2019	\$ 2,004	\$(35,514)	\$ 60	\$(46,506)
2020	(10,013)	(86,423)	(14,102)	(90,907)
2021	(30,047)	(181,888)	(38,408)	(184,941)
2022	(7,749)	(48,615)	(10,061)	(72,216)
2023	-	750	-	(30,641)
Thereafter	-	(20,375)	-	(132,459)

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 eight individuals retired under the LEOFF plan, but drawing excess benefits from this plan.

CITY OF KELSO
Notes to the Financial Statements
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There are no individuals currently employed that are eligible for benefits from this plan. All future obligations of the Firemen's Pension Fund were assumed by the State pension system, LEOFF.

The Fireman's Pension Fund cash and investment balance consists of \$626,568 with the investment portion held in the State investment pool as of December 31, 2018.

A recent actuarial survey has not been done because annual benefits are approximately \$52,000 and the net position held in trust for pension benefits is over \$625,000 and the average age of current retirees is 81. However, the last actuarial survey indicated that there was a net accrued liability of \$225,000 in the system that will be fully amortized with annual contributions to the plan of \$26,616 through 2024. Furthermore, there was no preparation of the schedules or required supplementary information required by GASB's 67 and 68 because, in management's opinion, future funding and contributions by the City are not material and the cost of future actuarials would outweigh the benefits.

In 2018, the City also received on behalf payments from taxes on fire insurance premiums in the amount of \$12,768.

I. Direct Adjustments to Net Position/Fund Balances

Change in Accounting Principle

In 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). GASB 75 requires the City to report the Total OPEB Liability (as opposed to net OPEB), as well as any related deferred inflow/outflows associated with the OPEB, for benefits that have accrued to eligible retirees who are members of plan 1 of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF 1). As a result, the City's liability as of December 31, 2017 increased by \$3,568,858 and deferred outflows related to the OPEB increased by \$85,892.

Prior Period Adjustment

The City's Firemen's Pension Trust Fund accumulates resources for pension and healthcare benefit payments to qualified retired firemen and qualified spouses. Prior to 2018, the City treated this fund as a qualified trust and reported it as a fiduciary fund. However, the City has determined that this trust does not meet the criteria for a trust as set forth by GASB and has reclassified it to the general fund. As a result, governmental fund balances and net position for governmental activities, as of January 1, 2018, were restated by \$516,034.

These adjustments decreased the net position for governmental activities by \$2,966,932, and increased the fund balance for the governmental funds by \$516,034.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2018

The net effect of Direct Adjustments to Net Position/Fund Balances are as follows:

	Governmental Activities	Governmental Funds
Net position/fund balance as previously reported at December 31, 2017	\$64,051,541	\$9,680,109
Change in accounting principle:		
Deferred Outflows Related to OPEB	85,892	-
Net OPEB Liability	(3,568,858)	-
Prior Period Adjustment:		
Reclassification of Firemen's Pension Fund	516,034	516,034
Net position/fund balance as restated, January 1, 2018	<u>\$61,084,609</u>	<u>\$10,196,143</u>

Required Supplementary Information

City of Kelso Schedule of Employer Contributions Public Employees Retirement System Plan 1 As of December 31, 2018 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>
Statutorily required contributions	\$ 119,722	\$ 135,433	\$ 149,623	\$ 165,771
Contributions in relation to the statutorily required contributions***	<u>(119,722)</u>	<u>(135,433)</u>	<u>(149,623)</u>	<u>(165,771)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll**	 \$ 2,653,280	 \$ 2,824,028	 \$ 3,053,518	 \$ 3,274,719
 Contributions as a percentage of employee payroll	 4.51%	 4.80%	 4.90%	 5.06%

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 UAAL.

Required Supplementary Information

City of Kelso Schedule of Employer Contributions Public Employees Retirement System Plan 2/3 As of December 31, 2018 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>
Statutorily required contributions	\$ 146,061	\$ 175,210	\$ 209,473	\$ 244,652
Contributions in relation to the statutorily required contributions***	<u>(146,061)</u>	<u>(175,210)</u>	<u>(209,473)</u>	<u>(244,652)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$2,593,780	\$2,812,358	\$3,053,518	\$3,274,719
Contributions as a percentage of covered payroll	5.63%	6.23%	6.86%	7.47%

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, 2018 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>
Statutorily required contributions	\$ 110,458	\$ 121,594	\$ 128,018	\$ 131,270
Contributions in relation to the statutorily required contributions***	(110,458)	(121,594)	(128,018)	(131,270)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$2,187,286	\$2,407,794	\$2,485,109	\$2,452,607
Contributions as a percentage of covered payroll	5.05%	5.05%	5.15%	5.35%

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

** 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 Public Employees Retirement System Plan 1 As of June 30, 2018 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>
Employer's proportion of the net pension liability (asset)	0.023210%	0.022776%	0.023545%	0.025809%
Employer's proportionate share of the net pension liability	\$ 1,214,099	\$ 1,223,179	\$ 1,117,229	\$ 1,152,639
Employer's covered payroll	\$ 2,609,568	\$ 2,691,098	\$ 2,986,773	\$ 3,190,174
Employer's proportionate share of the net pension liability as a percentage of covered payroll	46.52%	45.45%	37.41%	36.13%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%

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 Public Employees Retirement System Plan 2/3 As of June 30, 2018 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>
Employer's proportion of the net pension liability (asset)	0.028465%	0.028007%	0.030285%	0.033002%
Employer's proportionate share of the net pension liability	\$ 1,017,071	\$ 1,410,130	\$ 1,052,259	\$ 563,480
Employer's covered payroll	\$ 2,549,530	\$ 2,649,405	\$ 2,986,773	\$ 3,190,174
Employer's proportionate share of the net pension liability as a percentage of covered payroll	39.89%	53.22%	35.23%	17.66%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%

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 Law Enforcement Officers and Fire Fighters Retirement Plan 1 As of June 30, 2018 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>
Employer's proportion of the net pension liability (asset)	0.042208%	0.042555%	0.041694%	0.042411%
Employer's proportionate share of the net pension liability (asset)	\$ (508,700)	\$(438,438)	\$(632,590)	\$ (769,973)
State's proportionate share of the net pension liability (asset) associated with the employer**	\$ -	\$ -	\$ -	\$(5,208,075)
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
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.36%	123.74%	135.96%	144.42%

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
Law Enforcement Officers and Fire Fighters Retirement Plan 2
As of June 30, 2018
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>
Employer's proportion of the net pension liability (asset)	0.072194%	0.075802%	0.077629%	0.082534%
Employer's proportionate share of the net pension liability (asset)	\$ (742,010)	\$ (440,887)	\$ (1,077,239)	\$ (1,675,620)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (490,624)	\$ (287,426)	\$ (698,785)	\$ (1,084,932)
Employer's covered payroll	\$ 2,120,860	\$ 2,294,917	\$ 2,439,577	\$ 2,503,122
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	34.99%	19.21%	44.16%	66.94%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.67%	106.04%	113.36%	118.50%

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, 2018 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2018</u>
Total OPEB liability	
Interest	\$ 213,947
Changes in experience data and assumptions	(187,842)
Estimated benefit payments	<u>(251,437)</u>
Net change in total OPEB liability	(225,332)
Total OPEB liability - beginning	<u>6,100,792</u>
Net OPEB liability - Ending	<u>\$ 5,875,460</u>
Covered employee payroll	<u>\$ -</u>
Total OPEB liability, as a percentage of covered employee payroll	N/A

* 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, 2018

Other Postemployment Benefits Other Than Pensions

The City's LEOFF 1 OPEB liability calculation uses the Bond Buyer General Obligation 20-Bond Municipal Index for the discount rate. Changes in experience data and assumptions reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

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, 2018

	Special Revenue					
	Paths/ Trails	Stadium	Highlander Festival	HUD Block Grant	Criminal Justice	Transportation Benefit District
Assets						
Cash & cash equivalents	\$ 3,102	\$ 165,596	\$ 7,566	\$ 352,548	\$ 65,910	\$ 60,160
Investments	-	-	-	-	-	-
Receivables (net)						
Accounts	-	19,453	-	5,758	-	-
Assessments/taxes	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	53,673	-
Advances to other funds	-	-	-	-	-	-
Long-term notes receivable	-	-	-	458,416	-	-
Total Assets	<u>3,102</u>	<u>185,049</u>	<u>7,566</u>	<u>816,722</u>	<u>119,583</u>	<u>60,160</u>
Liabilities						
Accounts payable	-	38,224	66	-	1,412	-
Unearned revenue	-	21,261	-	-	43,938	-
Total Liabilities	<u>-</u>	<u>59,485</u>	<u>66</u>	<u>-</u>	<u>45,350</u>	<u>-</u>
Fund Balances						
Restricted for:						
Paths and trails	3,102	-	-	-	-	-
Promotion of tourism	-	103,662	-	-	-	-
Housing/neighborhood rehabilitation	-	-	-	331,959	-	-
Street maintenance/construction	-	-	-	-	-	60,160
Capital projects	-	-	-	-	-	-
Assigned to:						
Debt service	-	-	-	-	-	-
Other purposes	-	21,902	7,500	484,763	74,233	-
Total Fund Balance	<u>3,102</u>	<u>125,564</u>	<u>7,500</u>	<u>816,722</u>	<u>74,233</u>	<u>60,160</u>
Total Liabilities and Fund Balances	<u>\$ 3,102</u>	<u>\$ 185,049</u>	<u>\$ 7,566</u>	<u>\$ 816,722</u>	<u>\$ 119,583</u>	<u>\$ 60,160</u>

City of Kelso
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Total Non-Major Special Revenue Funds	Debt Service Non Voted G.O. Bond	Capital projects City Hall Fund	Total Non-Major Governmental Funds
Assets				
Cash & cash equivalents	\$ 654,882	\$ 1,624,171	\$ 334,146	\$ 2,613,199
Investments	-	785,419	-	785,419
Receivables (net)				
Accounts	25,211	5,179	-	30,390
Assessments/taxes	-	-	7,682	7,682
Due from other funds	-	32,000	-	32,000
Due from other governments	53,673	-	-	53,673
Advances to other funds	-	225,004	-	225,004
Long-term notes receivable	458,416	-	-	458,416
Total Assets	<u>1,192,182</u>	<u>2,671,773</u>	<u>341,828</u>	<u>4,205,783</u>
Liabilities				
Accounts payable	39,702	-	-	39,702
Unearned revenue	65,199	-	-	65,199
Total Liabilities	<u>104,901</u>	<u>-</u>	<u>-</u>	<u>104,901</u>
Fund Balances				
Restricted for:				
Paths and trails	3,102	-	-	3,102
Promotion of tourism	103,662	-	-	103,662
Housing/neighborhood rehabilitation	331,959	-	-	331,959
Street maintenance/construction	60,160	-	-	60,160
Capital projects	-	-	341,828	341,828
Assigned to:				
Debt service	-	2,671,773	-	2,671,773
Other purposes	588,398	-	-	588,398
Total Fund Balance	<u>1,087,281</u>	<u>2,671,773</u>	<u>341,828</u>	<u>4,100,882</u>
Total Liabilities and Fund Balances	<u>\$ 1,192,182</u>	<u>\$ 2,671,773</u>	<u>\$ 341,828</u>	<u>\$ 4,205,783</u>

City of Kelso
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended December 31, 2018

	Special Revenue					
	Paths and Trails	Stadium	Highlander Festival	Hud Block Grant	Criminal Justice	Transportation Benefit District
Revenues						
Taxes	\$ -	\$ 174,772	\$ -	\$ -	\$ -	\$ 199,939
Intergovernmental	1,311	37,520	-	-	147,997	-
Charges for services	-	-	4,712	-	-	-
Fines	-	-	-	-	2,052	-
Investment earnings	5	2,498	-	7,312	489	-
Rental/lease income	-	10,920	-	-	-	-
Miscellaneous	-	34	14,040	-	-	-
Total revenues	<u>1,316</u>	<u>225,744</u>	<u>18,752</u>	<u>7,312</u>	<u>150,538</u>	<u>199,939</u>
Expenditures						
Security of persons and property	-	-	-	-	243,723	-
Economic Environment	-	-	-	73	-	-
Culture and recreation	-	193,248	33,221	-	-	-
Capital outlay	-	-	-	128,854	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>193,248</u>	<u>33,221</u>	<u>128,927</u>	<u>243,723</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,316</u>	<u>32,496</u>	<u>(14,469)</u>	<u>(121,615)</u>	<u>(93,185)</u>	<u>199,939</u>
Other financing sources (uses)						
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	-	-	15,000	-	96,179	-
Transfers out	-	(15,000)	-	(61,000)	-	(175,000)
Total other financing sources (uses)	<u>-</u>	<u>(15,000)</u>	<u>15,000</u>	<u>(61,000)</u>	<u>96,179</u>	<u>(175,000)</u>
Net change in fund balances	1,316	17,496	531	(182,615)	2,994	24,939
Fund balances - beginning	1,786	108,068	6,969	999,337	71,239	35,221
Fund balances - ending	<u>\$ 3,102</u>	<u>\$ 125,564</u>	<u>\$ 7,500</u>	<u>\$ 816,722</u>	<u>\$ 74,233</u>	<u>\$ 60,160</u>

City of Kelso
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended December 31, 2018

	Total Non-Major Special Revenue Funds	Debt Service Non-Voted G.O. Bond	Capital Projects City Hall Fund	Total Non-Major Governmental Funds
Revenues				
Taxes	\$ 374,711	\$ -	\$ 217,842	\$ 592,553
Intergovernmental	186,828	-	-	186,828
Charges for services	4,712	-	-	4,712
Fines	2,052	-	-	2,052
Investment earnings	10,304	29,497	3,600	43,401
Rental/lease income	10,920	-	-	10,920
Miscellaneous	14,074	8,981	-	23,055
Total revenues	<u>603,601</u>	<u>38,478</u>	<u>221,442</u>	<u>863,521</u>
Expenditures				
Security of persons and property	243,723	-	-	243,723
Economic Environment	73	-	-	73
Culture and recreation	226,469	-	-	226,469
Capital outlay	128,854	-	-	128,854
Debt service:				
Principal	-	270,000	-	270,000
Interest and fiscal charges	-	159,963	-	159,963
Total expenditures	<u>599,119</u>	<u>429,963</u>	<u>-</u>	<u>1,029,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,482</u>	<u>(391,485)</u>	<u>221,442</u>	<u>(165,561)</u>
Other financing sources (uses)				
Sale of general capital assets	-	259,141	-	259,141
Transfers in	111,179	430,963	11,312	553,454
Transfers out	(251,000)	(16,402)	(130,000)	(397,402)
Total other financing sources (uses)	<u>(139,821)</u>	<u>673,702</u>	<u>(118,688)</u>	<u>415,193</u>
Net change in fund balances	(135,339)	282,217	102,754	249,632
Fund balances - beginning	1,222,620	2,389,556	239,074	3,851,250
Fund balances - ending	<u>\$ 1,087,281</u>	<u>\$ 2,671,773</u>	<u>\$ 341,828</u>	<u>\$ 4,100,882</u>

City of Kelso
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 332,972	\$ 332,972	\$ 332,972	\$ -
Intergovernmental	275,000	275,000	275,461	461
Charges for services	2,500	2,500	8,568	6,068
Investment earnings	1,000	1,000	12,192	11,192
Rental/lease income	20,900	20,900	20,904	4
Miscellaneous	-	-	12,088	12,088
Total revenues	<u>632,372</u>	<u>632,372</u>	<u>662,185</u>	<u>29,813</u>
Expenditures				
Transportation	<u>732,372</u>	<u>817,372</u>	<u>774,568</u>	<u>42,804</u>
Total expenditures	<u>732,372</u>	<u>817,372</u>	<u>774,568</u>	<u>42,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,000)</u>	<u>(185,000)</u>	<u>(112,383)</u>	<u>72,617</u>
Other financing sources (uses)				
Transfers out	-	(264,000)	(43,561)	220,439
Total other financing sources (uses)	<u>-</u>	<u>(264,000)</u>	<u>(43,561)</u>	<u>220,439</u>
Net change in fund balances	<u>(100,000)</u>	<u>(449,000)</u>	<u>(155,944)</u>	<u>293,056</u>
Fund balances - beginning	<u>723,326</u>	<u>723,326</u>	<u>723,326</u>	<u>-</u>
Fund balances - ending	<u>\$ 623,326</u>	<u>\$ 274,326</u>	<u>\$ 567,382</u>	<u>\$ 293,056</u>

City of Kelso
Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 566,199	\$ 566,199	\$ 566,199	\$ -
Charges for services	7,600	7,600	8,837	1,237
Fines	4,200	4,200	2,809	(1,391)
Investment earnings	35	35	651	616
Miscellaneous	50	50	86	36
Total revenues	<u>578,084</u>	<u>578,084</u>	<u>578,582</u>	<u>498</u>
Expenditures				
Culture and recreation	<u>578,084</u>	<u>578,084</u>	<u>539,432</u>	<u>38,652</u>
Total expenditures	<u>578,084</u>	<u>578,084</u>	<u>539,432</u>	<u>38,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>39,150</u>	<u>39,150</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>39,150</u>	<u>39,150</u>
Fund balances - beginning	<u>52,358</u>	<u>52,358</u>	<u>52,358</u>	<u>-</u>
Fund balances - ending	<u>\$ 52,358</u>	<u>\$ 52,358</u>	<u>\$ 91,508</u>	<u>\$ 39,150</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 239	\$ 239
Rental/lease income	30,850	30,850	31,230	380
Miscellaneous	100	100	180	80
Total revenues	<u>30,950</u>	<u>30,950</u>	<u>31,649</u>	<u>699</u>
Expenditures				
Transportation	<u>58,520</u>	<u>58,520</u>	<u>57,498</u>	<u>1,022</u>
Total expenditures	<u>58,520</u>	<u>58,520</u>	<u>57,498</u>	<u>1,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,570)</u>	<u>(27,570)</u>	<u>(25,849)</u>	<u>1,721</u>
Other financing sources (uses)				
Transfers in	<u>27,570</u>	<u>27,570</u>	<u>27,570</u>	<u>-</u>
Total other financing sources (uses)	<u>27,570</u>	<u>27,570</u>	<u>27,570</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,721</u>	<u>1,721</u>
Fund balances - beginning	<u>21,499</u>	<u>21,499</u>	<u>21,499</u>	<u>-</u>
Fund balances - ending	<u>\$ 21,499</u>	<u>\$ 21,499</u>	<u>\$ 23,220</u>	<u>\$ 1,721</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 241,843	\$ 241,843	\$ 241,843	\$ -
Intergovernmental	1,000,000	1,000,000	226,956	(773,044)
Charges for services	44,000	44,000	4,837	(39,163)
Investment earnings	100	100	700	600
Rental/lease income	45,000	45,000	46,098	1,098
Miscellaneous	-	-	12,437	12,437
Total revenues	<u>1,330,943</u>	<u>1,330,943</u>	<u>532,871</u>	<u>(798,072)</u>
Expenditures				
Culture and recreation	333,625	370,625	321,466	49,159
Capital outlay	<u>1,015,000</u>	<u>1,185,000</u>	<u>300,063</u>	<u>884,937</u>
Total expenditures	<u>1,348,625</u>	<u>1,555,625</u>	<u>621,529</u>	<u>934,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,682)</u>	<u>(224,682)</u>	<u>(88,658)</u>	<u>136,024</u>
Other financing sources (uses)				
Transfers in	<u>14,500</u>	<u>139,500</u>	<u>16,402</u>	<u>(123,098)</u>
Total other financing sources (uses)	<u>14,500</u>	<u>139,500</u>	<u>16,402</u>	<u>(123,098)</u>
Net change in fund balances	<u>(3,182)</u>	<u>(85,182)</u>	<u>(72,256)</u>	<u>12,926</u>
Fund balances - beginning	<u>107,095</u>	<u>107,095</u>	<u>107,095</u>	<u>-</u>
Fund balances - ending	<u>\$ 103,913</u>	<u>\$ 21,913</u>	<u>\$ 34,839</u>	<u>\$ 12,926</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, 2018

	<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>
Revenues				
Investment earnings	\$ -	\$ -	\$ 8	\$ 8
Total revenues	-	-	8	8
Expenditures				
Economic Environment	10,000	10,000	-	\$ 10,000
Total expenditures	10,000	10,000	-	10,000
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(10,000)	8	10,008
Other financing sources (uses)				
Transfers in	10,000	10,000	-	(10,000)
Total other financing sources (uses)	10,000	10,000	-	(10,000)
Net change in fund balances	-	-	8	8
Fund balances - beginning	452	452	452	-
Fund balances - ending	\$ 452	\$ 452	\$ 460	\$ 8

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,200	\$ 1,200	\$ 1,311	\$ 111
Investment earnings	-	-	5	5
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>1,316</u>	<u>116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,200</u>	<u>1,200</u>	<u>1,316</u>	<u>116</u>
Net change in fund balances	<u>1,200</u>	<u>1,200</u>	<u>1,316</u>	<u>116</u>
Fund balances - beginning	<u>1,786</u>	<u>1,786</u>	<u>1,786</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 2,986</u></u>	<u><u>\$ 2,986</u></u>	<u><u>\$ 3,102</u></u>	<u><u>\$ 116</u></u>

City of Kelso
Stadium Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final Budget</u>
Revenues				
Taxes	\$ 165,000	\$ 165,000	\$ 174,772	\$ 9,772
Intergovernmental	9,400	64,400	37,520	(26,880)
Investment earnings	200	200	2,498	2,298
Rental/lease income	-	-	10,920	10,920
Miscellaneous	100	100	34	(66)
Total revenues	<u>174,700</u>	<u>229,700</u>	<u>225,744</u>	<u>(3,956)</u>
Expenditures				
Culture and recreation	<u>104,500</u>	<u>261,900</u>	<u>193,248</u>	<u>68,652</u>
Total expenditures	<u>104,500</u>	<u>261,900</u>	<u>193,248</u>	<u>68,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,200</u>	<u>(32,200)</u>	<u>32,496</u>	<u>64,696</u>
Other financing sources (uses)				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(15,000)</u>	<u>5,000</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(15,000)</u>	<u>5,000</u>
Net change in fund balances	<u>50,200</u>	<u>(52,200)</u>	<u>17,496</u>	<u>69,696</u>
Fund balances - beginning	<u>108,068</u>	<u>108,068</u>	<u>108,068</u>	<u>-</u>
Fund balances - ending	<u>\$ 158,268</u>	<u>\$ 55,868</u>	<u>\$ 125,564</u>	<u>\$ 69,696</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, 2018

	<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>
Revenues				
Charges for services	\$ 6,800	\$ 6,800	\$ 4,712	\$ (2,088)
Miscellaneous	15,500	15,500	14,040	(1,460)
Total revenues	<u>22,300</u>	<u>22,300</u>	<u>18,752</u>	<u>(3,548)</u>
Expenditures				
Culture and recreation	<u>37,300</u>	<u>42,300</u>	<u>33,221</u>	<u>9,079</u>
Total expenditures	<u>37,300</u>	<u>42,300</u>	<u>33,221</u>	<u>9,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,000)</u>	<u>(20,000)</u>	<u>(14,469)</u>	<u>5,531</u>
Other financing sources (uses)				
Transfers in	<u>15,000</u>	<u>20,000</u>	<u>15,000</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>15,000</u>	<u>20,000</u>	<u>15,000</u>	<u>(5,000)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>531</u>	<u>531</u>
Fund balances - beginning	<u>6,969</u>	<u>6,969</u>	<u>6,969</u>	<u>-</u>
Fund balances - ending	<u>\$ 6,969</u>	<u>\$ 6,969</u>	<u>\$ 7,500</u>	<u>\$ 531</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, 2018

	<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>
Revenues				
Investment earnings	\$ 600	\$ 600	\$ 7,312	\$ 6,712
Total revenues	<u>600</u>	<u>600</u>	<u>7,312</u>	<u>6,712</u>
Expenditures				
Economic Environment:				
Neighborhood stabilization	150,000	150,000	-	150,000
Housing rehabilitation	-	-	73	(73)
Capital outlay	-	-	128,854	(128,854)
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>128,927</u>	<u>21,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(149,400)</u>	<u>(149,400)</u>	<u>(121,615)</u>	<u>27,785</u>
Other financing sources (uses)				
Transfers out	(71,000)	(71,000)	(61,000)	10,000
Total other financing sources (uses)	<u>(71,000)</u>	<u>(71,000)</u>	<u>(61,000)</u>	<u>10,000</u>
Net change in fund balances	<u>(220,400)</u>	<u>(220,400)</u>	<u>(182,615)</u>	<u>37,785</u>
Fund balances - beginning	999,337	999,337	999,337	-
Fund balances - ending	<u>\$ 778,937</u>	<u>\$ 778,937</u>	<u>\$ 816,722</u>	<u>\$ 37,785</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 166,211	\$ 166,211	\$ 147,997	\$ (18,214)
Fines	300	300	2,052	1,752
Investment earnings	-	-	489	489
Total revenues	<u>166,511</u>	<u>166,511</u>	<u>150,538</u>	<u>(15,973)</u>
Expenditures				
Security of persons and property	<u>262,690</u>	<u>262,690</u>	<u>243,723</u>	<u>18,967</u>
Total expenditures	<u>262,690</u>	<u>262,690</u>	<u>243,723</u>	<u>18,967</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(96,179)</u>	<u>(96,179)</u>	<u>(93,185)</u>	<u>2,994</u>
Other financing sources (uses)				
Transfers in	<u>96,179</u>	<u>96,179</u>	<u>96,179</u>	<u>-</u>
Total other financing sources (uses)	<u>96,179</u>	<u>96,179</u>	<u>96,179</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>2,994</u>	<u>2,994</u>
Fund balances - beginning	<u>71,239</u>	<u>71,239</u>	<u>71,239</u>	<u>-</u>
Fund balances - ending	<u>\$ 71,239</u>	<u>\$ 71,239</u>	<u>\$ 74,233</u>	<u>\$ 2,994</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 175,000	\$ 175,000	\$ 199,939	\$ 24,939
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>199,939</u>	<u>24,939</u>
Excess (deficiency) of revenues over (under) expenditures	<u>175,000</u>	<u>175,000</u>	<u>199,939</u>	<u>24,939</u>
Net change in fund balances	<u>175,000</u>	<u>175,000</u>	<u>199,939</u>	<u>24,939</u>
Other financing sources (uses)				
Transfers out	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>24,939</u>	<u>24,939</u>
Fund balances - beginning	<u>35,221</u>	<u>35,221</u>	<u>35,221</u>	<u>-</u>
Fund balances - ending	<u>\$ 35,221</u>	<u>\$ 35,221</u>	<u>\$ 60,160</u>	<u>\$ 24,939</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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Investment earnings	\$ 12,000	\$ 12,000	\$ 29,497	\$ 17,497
Miscellaneous	1,444	1,444	8,981	7,537
Total revenues	<u>13,444</u>	<u>13,444</u>	<u>38,478</u>	<u>25,034</u>
Expenditures				
Debt service:				
Principal	270,000	270,000	270,000	-
Interest	160,963	160,963	159,963	1,000
Total expenditures	<u>430,963</u>	<u>430,963</u>	<u>429,963</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(417,519)</u>	<u>(417,519)</u>	<u>(391,485)</u>	<u>26,034</u>
Other financing sources (uses)				
Transfers in	430,963	430,963	430,963	-
Transfers out	-	(125,000)	(16,402)	108,598
Sale of general capital assets	-	-	259,141	259,141
Total other financing sources (uses)	<u>430,963</u>	<u>305,963</u>	<u>673,702</u>	<u>367,739</u>
Net change in fund balances	<u>13,444</u>	<u>(111,556)</u>	<u>282,217</u>	<u>393,773</u>
Fund balances - beginning	<u>2,389,556</u>	<u>2,389,556</u>	<u>2,389,556</u>	<u>-</u>
Fund balances - ending	<u><u>\$2,403,000</u></u>	<u><u>\$2,278,000</u></u>	<u><u>\$2,671,773</u></u>	<u><u>\$ 393,773</u></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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 80,000	\$ 80,000	\$ 217,842	\$ 137,842
Investment earnings	50	50	3,600	3,550
Total revenues	<u>80,050</u>	<u>80,050</u>	<u>221,442</u>	<u>141,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80,050</u>	<u>80,050</u>	<u>221,442</u>	<u>141,392</u>
Other financing sources (uses)				
Transfers in	-	-	11,312	11,312
Transfers out	<u>(130,000)</u>	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(130,000)</u>	<u>(130,000)</u>	<u>(118,688)</u>	<u>-</u>
Net change in fund balances	<u>(49,950)</u>	<u>(49,950)</u>	<u>102,754</u>	<u>141,392</u>
Fund balances - beginning	239,074	239,074	239,074	-
Fund balances - ending	<u>\$ 189,124</u>	<u>\$ 189,124</u>	<u>\$ 341,828</u>	<u>\$ 141,392</u>

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Fiduciary Funds

Agency Fund

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

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

City of Kelso
Airport Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year ended December 31, 2018

	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2018</u>
Assets				
Cash & cash equivalents	\$ 600,906	\$ 871,505	\$ 887,985	\$ 584,426
Receivables	184,923	498,269	656,006	27,186
Total Assets	<u>\$ 785,829</u>	<u>\$ 1,369,774</u>	<u>\$ 1,543,991</u>	<u>\$ 611,612</u>
Liabilities				
Accounts payable	\$ 94,479	\$ 849,884	\$ 885,756	\$ 58,607
Due to other governments	150,000	-	-	150,000
Custodial accounts	541,350	519,890	658,235	403,005
Total Liabilities	<u>\$ 785,829</u>	<u>\$ 1,369,774</u>	<u>\$ 1,543,991</u>	<u>\$ 611,612</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	119
<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	126
<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	131
<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	136
<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	139
<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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 47,642	\$ 48,034	\$ 47,753	\$ 48,199	\$ 54,754	\$ 57,203	\$ 56,455	\$ 56,985	\$ 56,850	\$ 59,025
Restricted	845	1,302	1,349	1,442	1,491	1,616	1,664	1,085	1,115	944
Unrestricted	4,021	2,801	2,936	4,494	4,342	4,481	4,680	5,496	6,086	4,740
Total governmental activities net position	<u>\$ 52,508</u>	<u>\$ 52,137</u>	<u>\$ 52,038</u>	<u>\$ 54,135</u>	<u>\$ 60,587</u>	<u>\$ 63,300</u>	<u>\$ 62,799</u>	<u>\$ 63,566</u>	<u>\$ 64,051</u>	<u>\$ 64,709</u>
Business-type activities										
Net investment in capital assets	\$ 20,013	\$ 20,893	\$ 20,809	\$ 21,989	\$ 19,683	\$ 20,307	\$ 21,087	\$ 22,337	\$ 24,876	\$ 25,678
Restricted	202	591	592	593	595	597	603	478	479	478
Unrestricted	5,747	5,119	6,216	7,128	7,219	7,957	7,224	8,626	8,201	8,418
Total business-type activities net position	<u>\$ 25,962</u>	<u>\$ 26,603</u>	<u>\$ 27,617</u>	<u>\$ 29,710</u>	<u>\$ 27,497</u>	<u>\$ 28,861</u>	<u>\$ 28,914</u>	<u>\$ 31,441</u>	<u>\$ 33,556</u>	<u>\$ 34,574</u>
Primary government										
Net investment in capital assets	\$ 67,655	\$ 68,927	\$ 68,562	\$ 70,188	\$ 74,437	\$ 77,510	\$ 77,542	\$ 79,322	\$ 81,726	\$ 84,703
Restricted	1,047	1,893	1,941	2,035	2,086	2,213	2,267	1,563	1,594	1,422
Unrestricted	9,768	7,920	9,152	11,622	11,561	12,438	11,904	14,122	14,287	13,158
Total primary government net position	<u>\$ 78,470</u>	<u>\$ 78,740</u>	<u>\$ 79,655</u>	<u>\$ 83,845</u>	<u>\$ 88,084</u>	<u>\$ 92,161</u>	<u>\$ 91,713</u>	<u>\$ 95,007</u>	<u>\$ 97,607</u>	<u>\$ 99,283</u>

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

Expenses	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
General government	\$ 1,503	\$ 1,501	\$ 1,453	\$ 1,312	\$ 1,401	\$ 1,525	\$ 1,714	\$ 1,863	\$ 2,031	\$ 2,036
Security of persons and property	4,939	5,031	4,543	4,533	4,562	4,609	4,608	5,134	5,392	4,661
Physical environment	430	441	422	431	375	391	249	338	324	295
Transportation	1,747	1,783	1,703	1,722	2,180	2,323	2,654	3,322	4,287	2,489
Economic environment	442	695	396	590	754	308	374	325	343	302
Culture and recreation	993	1,091	1,054	1,066	985	1,121	1,107	1,087	1,161	1,228
Interest on long-term debt	135	140	173	117	114	122	109	179	156	149
Total governmental activities expenses	10,189	10,682	9,744	9,771	10,371	10,399	10,815	12,248	13,694	11,160
Business-type activities										
Water/Sewer	6,889	6,634	6,578	6,610	7,079	7,186	7,645	7,672	8,008	8,836
Solid waste	1,091	1,247	1,235	1,294	1,317	1,457	1,481	1,549	1,575	1,675
Storm water	464	456	580	571	547	556	715	609	665	678
Airport	423	357	380	422	-	-	-	-	-	-
Total business-type activities expenses	8,867	8,694	8,773	8,897	8,943	9,199	9,841	9,830	10,248	11,189
Total primary government expenses	\$ 19,056	\$ 19,376	\$ 18,517	\$ 18,668	\$ 19,314	\$ 19,598	\$ 20,656	\$ 22,078	\$ 23,942	\$ 22,349
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 60	\$ 62	\$ 97	\$ 91	\$ 209	\$ 90	\$ 119	\$ 130	\$ 155	\$ 136
Security of persons and property	370	185	233	192	151	360	279	306	375	268
Physical environment	13	48	11	6	17	18	34	26	33	39
Transportation	75	191	210	231	298	532	655	599	577	412
Economic environment	119	119	127	127	147	163	76	160	145	156
Culture and recreation	56	76	104	100	80	140	94	99	99	97
Operating grants and contributions	585	691	624	894	848	172	317	192	261	514
Capital grants and contributions	1,262	867	822	1,455	4,895	3,525	663	1,460	601	2,584
Total governmental activities program revenues	2,540	2,239	2,228	3,096	6,645	5,000	2,237	2,972	2,246	4,206
Business-type activities										
Charges for services										
Water/Sewer	7,182	7,320	7,635	7,621	7,883	8,358	8,668	9,035	9,038	9,377
Solid waste	1,110	1,131	1,142	1,145	1,194	1,382	1,427	1,517	1,596	1,642
Storm water	446	559	623	579	591	623	714	762	803	844
Airport	125	131	138	126	-	-	-	-	-	-
Operating grants and contributions	256	129	238	193	19	75	7	25	44	6
Capital grants and contributions	163	10	-	457	2	112	-	1,144	165	146
Total business-type activities program revenues	9,282	9,280	9,776	10,121	9,689	10,550	11,016	12,483	11,646	12,015
Total primary government program revenues	\$ 11,822	\$ 11,519	\$ 12,004	\$ 13,217	\$ 16,334	\$ 15,550	\$ 13,253	\$ 15,455	\$ 13,892	\$ 16,221

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense)/revenue										
Governmental activities	\$ (7,649)	\$ (8,443)	\$ (7,516)	\$ (6,675)	\$ (3,726)	\$ (5,399)	\$ (8,578)	\$ (9,276)	\$ (11,448)	\$ (6,954)
Business-type activities	415	586	1,003	1,224	746	1,351	1,175	2,653	1,398	826
Total primary government net expense	<u>\$ (7,234)</u>	<u>\$ (7,857)</u>	<u>\$ (6,513)</u>	<u>\$ (5,451)</u>	<u>\$ (2,980)</u>	<u>\$ (4,048)</u>	<u>\$ (7,403)</u>	<u>\$ (6,623)</u>	<u>\$ (10,050)</u>	<u>\$ (6,128)</u>
General Revenues and other Changes in										
Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 1,146	\$ 1,139	\$ 1,159	\$ 1,175	\$ 1,191	\$ 1,206	\$ 1,243	\$ 1,280	\$ 1,300	\$ 1,506
Sales taxes	2,014	2,150	2,154	2,103	2,141	2,410	2,546	2,899	2,883	2,932
Utility taxes	2,534	2,542	2,611	2,827	2,748	2,809	3,099	3,265	3,320	3,358
Business taxes	659	671	713	755	772	821	875	944	945	986
Excise taxes	156	117	111	86	79	107	157	188	263	450
Penalties & interest	5	5	4	5	3	5	4	6	5	9
State entitlements	638	640	572	573	692	624	653	763	804	978
Investment earnings	65	50	68	64	29	37	55	51	93	142
Miscellaneous	60	12	21	26	66	93	68	631	286	75
Gain/(loss) on sale of capital assets	-	-	-	-	-	-	1	-	135	186
Special items	-	-	-	-	2,513	-	-	-	-	-
Transfers	(20)	(20)	4	(40)	(56)	-	-	17	-	(44)
Total governmental activities	<u>7,257</u>	<u>7,306</u>	<u>7,417</u>	<u>7,574</u>	<u>10,178</u>	<u>8,112</u>	<u>8,701</u>	<u>10,044</u>	<u>10,034</u>	<u>10,578</u>
Business-type activities										
Investment earnings	39	15	15	11	11	13	18	23	70	148
Miscellaneous	-	20	-	-	-	-	4	1	-	-
Gain/(loss) on sale of capital assets	-	-	-	-	-	-	-	-	(264)	-
Special items	-	-	-	-	(3,026)	-	-	-	-	-
Transfers	20	20	(4)	40	56	-	-	(17)	-	44
Total business-type activities	<u>59</u>	<u>55</u>	<u>11</u>	<u>51</u>	<u>(2,959)</u>	<u>13</u>	<u>22</u>	<u>7</u>	<u>(194)</u>	<u>192</u>
Total primary government	<u>\$ 7,316</u>	<u>\$ 7,361</u>	<u>\$ 7,428</u>	<u>\$ 7,625</u>	<u>\$ 7,219</u>	<u>\$ 8,125</u>	<u>\$ 8,723</u>	<u>\$ 10,051</u>	<u>\$ 9,840</u>	<u>\$ 10,770</u>
Change in Net Position										
Governmental activities	\$ (392)	\$ (1,137)	\$ (99)	\$ 899	\$ 6,452	\$ 2,713	\$ 123	\$ 768	\$ (1,414)	\$ 3,624
Business-type activities	474	641	1,014	1,275	(2,213)	1,364	1,197	2,660	1,204	1,018
Total primary government	<u>\$ 82</u>	<u>\$ (496)</u>	<u>\$ 915</u>	<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>

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

Fiscal Year	Property Tax	Sales Tax	Utility Taxes	Business Taxes	Excise Taxes
2009	\$ 1,146	\$ 2,014	\$ 2,534	\$ 659	\$ 156
2010	1,139	2,150	2,542	671	117
2011	1,159	2,154	2,611	713	111
2012	1,175	2,103	2,827	755	86
2013	1,191	2,141	2,748	772	79
2014	1,206	2,410	2,809	821	107
2015	1,243	2,546	3,099	875	157
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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund (Per GASB 54)*										
Nonspendable	\$ -	\$ -	\$ 55	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	54	93	171	100	92	118	119	103
Committed	-	-	178	213	242	-	-	-	-	-
Assigned	-	-	202	-	-	212	242	277	312	323
Unassigned	-	-	1,197	3,063	3,097	3,828	4,564	5,285	5,482	6,111
General fund (Prior to GASB 54)*										
Reserved	200	155	-	-	-	-	-	-	-	-
Unreserved	1,491	1,022	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 1,691</u>	<u>\$ 1,177</u>	<u>\$ 1,686</u>	<u>\$ 3,369</u>	<u>\$ 3,510</u>	<u>\$ 4,140</u>	<u>\$ 4,898</u>	<u>\$ 5,680</u>	<u>\$ 5,913</u>	<u>\$ 6,537</u>
All other governmental funds (Per GASB 54)*										
Nonspendable	\$ -	\$ -	\$ 953	\$ 829	\$ 647	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	1,295	1,350	1,321	1,516	1,572	3,798	984	841
Assigned	-	-	1,078	1,215	1,350	2,032	2,105	2,607	2,867	3,445
Unassigned	-	-	(744)	(504)	(1,227)	(304)	(428)	(231)	(84)	-
All other governmental funds (Prior to GASB 54)*										
Reserved	811	155	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	802	379	-	-	-	-	-	-	-	-
Debt service funds	1,605	1,597	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 3,218</u>	<u>\$ 2,131</u>	<u>\$ 2,582</u>	<u>\$ 2,890</u>	<u>\$ 2,091</u>	<u>\$ 3,244</u>	<u>\$ 3,249</u>	<u>\$ 6,174</u>	<u>\$ 3,767</u>	<u>\$ 4,286</u>

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

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 6,506	\$ 6,607	\$ 6,745	\$ 6,955	\$ 6,940	\$ 7,361	\$ 7,928	\$ 8,655	\$ 8,859	\$ 9,254
Licenses and permits	159	138	200	195	212	203	131	174	191	169
Intergovernmental	2,341	2,199	1,653	3,066	5,415	5,588	1,361	2,739	1,121	3,872
Charges for services	747	988	824	879	963	1,008	1,268	1,311	1,141	1,246
Fines	127	164	190	140	130	119	106	98	105	138
Investment earnings	61	49	69	64	29	37	55	53	96	144
Contributions	48	1	-	-	-	-	55	65	35	4
Rental/lease income	59	53	61	86	90	104	105	112	118	113
Miscellaneous	159	37	36	38	78	110	84	655	257	83
Total revenues	10,207	10,236	9,778	11,423	13,857	14,530	11,093	13,862	11,923	15,023
Expenditures										
General government	1,746	1,812	1,726	1,619	1,659	1,730	1,953	2,110	2,434	2,492
Security of persons and property	4,614	4,700	4,299	4,297	4,340	4,271	4,386	4,808	5,114	5,120
Physical environment	635	647	548	571	494	439	437	602	550	578
Transportation	657	605	495	479	742	851	928	1,589	3,186	1,492
Economic environment	441	709	398	585	752	313	381	317	345	310
Culture and recreation	717	758	774	781	709	842	827	885	1,033	1,087
Capital outlay	1,646	2,005	1,355	1,999	5,497	3,883	1,192	2,926	1,183	3,098
Debt service										
Principal	128	128	133	148	158	317	140	305	270	270
Interest	133	138	224	111	108	101	86	185	171	164
Total expenditures	10,717	11,502	9,952	10,590	14,459	12,747	10,330	13,727	14,286	14,611
Excess of revenues over (under) expenditures	(510)	(1,266)	(174)	833	(602)	1,783	763	135	(2,363)	412

Other financing sources (uses)

Transfers in	2,019	258	489	497	573	579	543	1,517	1,146	962
Transfers out	(2,039)	(278)	(485)	(537)	(628)	(579)	(543)	(1,500)	(1,146)	(1,006)
Bonds issued	-	-	2,710	-	-	-	-	3,200	-	-
Bonds refunded	-	-	(2,660)	-	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	355	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	189	259
Total other financing sources (uses)	(20)	(20)	54	(40)	(55)	-	-	3,572	189	215
Net change in fund balances	<u>\$ (530)</u>	<u>\$ (1,286)</u>	<u>\$ (120)</u>	<u>\$ 793</u>	<u>\$ (657)</u>	<u>\$ 1,783</u>	<u>\$ 763</u>	<u>\$ 3,707</u>	<u>\$ (2,174)</u>	<u>\$ 627</u>
Debt service as a percentage of noncapital expenditures*	2.88%	2.80%	4.15%	3.01%	2.97%	4.72%	2.47%	4.54%	3.37%	3.77%

* 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
2009	\$ 1,138	\$ 2,014	\$ 2,534	\$ 659	\$ 161	\$ 6,506
2010	1,121	2,150	2,542	671	123	6,607
2011	1,152	2,154	2,611	713	115	6,745
2012	1,178	2,103	2,827	755	92	6,955
2013	1,197	2,141	2,748	772	82	6,940
2014	1,209	2,410	2,809	821	112	7,361
2015	1,247	2,546	3,099	875	161	7,928
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

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

Fiscal Year	Residential Property ¹	Non-Residential Property ¹	State Assessed Property ¹	Personal Property ¹	Real Property		Direct Tax Rate	Ratio of Assessed Value To Estimated Actual Value ²
					Total Assessed Value ¹	Estimated Value		
2009	-	-	-	-	\$ 727,939	\$ 830,033	1.8102%	87.7%
2010	436,850	227,782	22,065	41,508	728,204	812,728	1.7985%	89.6%
2011	443,827	234,608	23,732	51,231	753,399	817,136	1.7643%	92.2%
2012	429,082	230,187	24,973	59,015	743,257	793,231	1.8131%	93.7%
2013	367,517	227,510	25,170	60,067	680,264	707,871	2.0116%	96.1%
2014	375,497	217,853	26,579	58,108	678,037	723,625	2.0557%	93.7%
2015	390,452	213,413	28,575	57,771	690,210	723,491	2.0467%	95.4%
2016	403,206	205,578	30,182	64,586	703,552	805,901	2.0612%	87.3%
2017	436,557	227,543	29,706	71,815	765,621	834,919	1.9237%	91.7%
2018	513,324	205,673	31,239	67,549	817,786	890,834	1.8485%	91.8%

¹ Cowlitz County Assessor's Office - distribution represents countywide allocation

² Department of Revenue - Property Tax Division

Note - distribution represents countywide allocation. Certain other information was not available prior to 2010

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

Fiscal Year	City Regular	Total City	School District	Port of Longview	Cowlitz County	State of Washington	Cowlitz 2 Fire District	Total
2009	\$ 1.8102	\$ 1.8102	\$ 4.3766	\$ 0.4037	\$ 1.6629	\$ 2.0593	\$ 1.4044	\$ 11.7171
2010	1.7985	1.7985	4.4339	0.3906	1.6904	2.1058	1.4643	11.8835
2011	1.7643	1.7643	5.1213	0.3933	1.7304	2.2954	1.5000	12.8047
2012	1.8131	1.8131	5.1967	0.2192	1.8647	2.3733	1.5000	12.9670
2013	2.0116	2.0116	5.7004	0.2164	1.9408	2.4478	1.5000	13.8170
2014	2.0557	2.0557	5.6506	0.4500	2.0423	2.3356	1.5000	14.0342
2015	2.0467	2.0467	5.6186	0.4500	2.1404	2.2824	1.5000	14.0381
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

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

City of Kelso
Principal Property Taxpayers
December 31, 2018
(amounts expressed in thousands)

Taxpayer	2018			2009		
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Rank	Assessed Valuation	Percentage of Total Assessed Valuation
Foster Farms Poultry	1	\$ 35,131	4.03%	1	\$ 35,281	4.89%
Three Rivers Mall LLC	2	27,739	3.18%	2	26,577	3.09%
Burlington Northern Santa Fe	3	18,636	2.14%	9	6,409	0.88%
Mario Segale	4	14,664	1.68%			
C & C Logging	5	11,945	1.37%	11		
JMK Limited Partnership	6	9,867	1.13%	3	8,492	1.30%
ALS Group USA	7	7,803	0.90%			
Riverway SPE LLC	8	7,060	0.81%	12		
Allen Street Investments	9	6,944	0.80%	7	6,775	0.93%
Storedahl	10	6,774	0.78%			
SW Paper Inc.	12	6,271	0.72%	4	8,007	1.09%
Dayton Hudson	15	5,585	0.64%	6	7,213	0.99%
Summerwind Properties LLC	13	6,327	0.73%	8	6,690	0.92%
R/M Olson Properties LLC				10	6,309	0.87%
CAS Holdings				5	7,213	0.99%
		<u>\$ 164,746</u>	<u>18.91%</u>		<u>\$ 118,966</u>	<u>15.95%</u>

Source: Cowlitz County Assessor's Office

**City of Kelso
Principal Utility Taxpayers
December 31, 2018**

Utility Tax Type	2018			2009		
	Rank	Tax	Percentage of Tax to Total	Rank	Tax	Percentage of Tax to Total
Electricity*	1	\$ 733,808	21.85%	1	\$ 539,015	21.28%
Sewer*	2	545,242	16.23%	2	352,009	13.89%
Water*	3	368,674	10.98%	4	196,428	7.75%
Cable Television*	4	210,015	6.25%	6	104,005	4.11%
Garbage*	5	163,636	4.87%	8	88,880	3.51%
Cell Phone**	6	117,214	3.49%	3	241,214	9.52%
Telephone**	7	80,922	2.41%	5	124,916	4.93%
Natural Gas*	8	67,852	2.02%	7	95,717	3.78%
		<u>2,287,363</u>	<u>68.11%</u>		<u>1,742,184</u>	<u>68.76%</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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2009	\$ 1,316,848	\$ 1,254,188	95.2%	\$ 62,660	\$ 1,316,848	100.0%	-	0.0%
2010	1,309,655	1,242,802	94.9%	66,853	1,309,655	100.0%	-	0.0%
2011	1,329,252	1,262,544	95.0%	66,708	1,329,252	100.0%	-	0.0%
2012	1,347,579	1,285,794	95.4%	61,785	1,347,579	100.0%	-	0.0%
2013	1,368,390	1,309,790	95.7%	58,600	1,368,390	100.0%	-	0.0%
2014	1,393,874	1,335,634	95.8%	58,240	1,393,874	100.0%	-	0.0%
2015	1,412,682	1,361,171	96.4%	51,511	1,412,682	100.0%	-	0.0%
2016	1,450,135	1,397,191	96.3%	46,036	1,443,227	99.5%	6,908	0.5%
2017	1,472,804	1,423,709	96.7%	31,080	1,454,789	98.8%	18,015	1.2%
2018	1,511,643	1,463,408	96.8%	-	1,463,408	96.8%	48,235	3.2%

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

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita ²
	General Obligation Bonds	Miscellaneous Notes	Water/Sewer Revenue Bonds	Miscellaneous Notes			
2009	\$ 2,875	\$ 273	\$ 840	\$ 2,322	\$ 6,310	1.68%	\$ 533
2010	2,770	250	5,235*	2,119	10,374	2.72%	881
2011	2,710	227	5,050	1,916	9,903	2.48%	831
2012	2,585	204	4,865	1,714	9,368	2.25%	785
2013	2,408	182	4,603	1,472	8,665	2.02%	726
2014	2,294	-	4,441	1,284	8,019	1.76%	670
2015	2,175	-	4,285	1,097	7,557	1.57%	632
2016	5,744**	-	4,085	909	10,738	2.23%	897
2017	5,120	-	3,880	972	9,972	2.07%	832
2018	4,832	-	3,665	4,332***	12,829	N/A	1,062

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

N/A - Information not available.

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

² See the schedule of Demographic and Economic Statistics on page 136 for personal income and population data.

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

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

***City borrowed \$3,748 from the Drinking Water State Revolving Loan bonds in 2018.

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

Fiscal Year	Assessed Value*₁	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property₂	Per Capita₃
2009	\$ 727,939	\$ 2,875,000	-	\$ 2,875,000	0.35%	\$ 243
2010	728,204	2,770,000	-	2,770,000	0.34%	235
2011	753,399	2,710,000	-	2,710,000	0.33%	227
2012	743,257	2,585,000	-	2,585,000	0.33%	217
2013	680,264	2,408,189	-	2,408,189	0.34%	202
2014	678,037	2,294,356	-	2,294,356	0.32%	192
2015	690,210	2,175,000	-	2,175,000	0.30%	182
2016	703,552	5,407,314	-	5,407,314	0.67%	452
2017	765,621	5,119,561	-	5,119,561	0.61%	428
2018	817,786	4,831,807	-	4,831,807	0.54%	400

*Amounts expressed in thousands

₁Cowlitz County Assessor's Office

₂See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Page 126 for property value data

₃Population data can be found in the Schedule of Demographic and Economic Statistics on page 136.

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, 2018

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Direct:			
City of Kelso	\$ 4,831,807	100%	\$ 4,831,807
Overlapping:			
Cowlitz County	35,207,416	8%	2,816,593
Kelso School District	69,773,333	39%	27,211,600
Port of Longview	8,040,000	10%	804,000
Cowlitz Fire District #2	9,786,133	30%	2,935,840
Subtotal, overlapping debt	122,806,882		33,768,032
Total direct and overlapping	<u>\$ 127,638,689</u>		<u>\$ 38,599,839</u>

Source: Cowlitz County Assessor's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.

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

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 54,595	\$ 54,615	\$ 56,505	\$ 55,744	\$ 51,020	\$ 50,853	\$ 51,766	\$ 52,766	\$ 57,422	\$ 61,334
Total net debt applicable to limit	1,270	2,046	1,893	1,637	1,378	2,315	2,175	5,070	4,800	4,530
Legal debt margin	<u>\$ 53,325</u>	<u>\$ 52,569</u>	<u>\$ 54,612</u>	<u>\$ 54,107</u>	<u>\$ 49,642</u>	<u>\$ 48,538</u>	<u>\$ 49,591</u>	<u>\$ 47,696</u>	<u>\$ 52,622</u>	<u>\$ 56,804</u>
Total net debt applicable to the limit as a percentage of debt limit	2.33%	3.75%	3.35%	2.94%	2.70%	4.55%	4.20%	9.61%	8.36%	7.39%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 817,786
Debt limit (7.5% of total assessed value)	61,334
Debt applicable to limit:	
General obligation bonds	4,530
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>4,530</u>
Legal debt margin	<u>\$ 56,804</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**

Water/Sewer Revenue Bonds						
Fiscal Year	Water/Sewer Revenues¹	Less:	Net	Debt Services³		Coverage
		Operating Expenses²	Available Revenue	Principal	Interest	
2009	\$7,124,034	\$6,102,630	\$1,021,404	\$ 75,000	\$ 35,291	9.26
2010	7,256,265	5,871,745	1,384,520	80,000	33,454	12.20
2011	7,569,205	5,664,324	1,904,881	185,000	194,836	5.02
2012	7,584,880	5,740,359	1,844,521	185,000	189,738	4.92
2013	7,805,929	6,125,903	1,680,026	190,000	193,409	4.38
2014	8,280,269	6,092,495	2,187,774	195,000	216,772	5.31
2015	8,796,003	6,599,416	2,196,587	195,000	214,992	5.36
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

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

²Total operating expenses exclusive of depreciation and interest.

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

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

Info available at County level only					
Fiscal Year	Population¹	Personal Income²	Per Capita Personal Income²	Unemployment Rate⁴	School Enrollment³
2009	11,840	\$ 3,235,488	\$ 31,681	13.4%	5,022
2010	11,780	3,314,467	32,368	13.0%	5,034
2011	11,920	3,426,188	33,479	12.1%	4,970
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	N/A	N/A	5.9%	4,941

N/A - information not available.

¹Source: Office of Financial Management

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

³Source: Kelso School District

⁴Source: Bureau of Labor Statistics

Personal income amounts are expressed in thousands of dollars.

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

Employer	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
St John's Medical Center/Peace Health	1,700	1	3.9%	1,874	1	5.0%
Weyerhaeuser	1,500	2	3.4%	1,580	2	4.3%
Longview School District	905	3	2.1%	925	4	2.5%
Kapstone Paper & Packaging / Longview Fibre	800	4	1.8%	1,020	3	2.7%
Wal-Mart	750	5	1.7%	-		
Foster Farms	700	6	1.6%	800	6	2.2%
Kelso School District	650	7	1.5%	832	5	2.2%
JH Kelly	600	8	1.4%	600	8	1.6%
Cowlitz County	600	9	1.4%	570	9	1.5%
Fred Meyer	417	10	1.0%			
Safeway Grocery				550	10	1.5%
Lower Columbia College				738	7	2.0%
Total	<u>8,622</u>		<u>19.8%</u>	<u>9,489</u>		<u>25.5%</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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Community Development	5.0	5.0	2.3	3.0	3.0	2.5	1.5	3.0	3.0	3.0
Finance	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	1.0	1.0	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Admin.	2.0	2.0	1.8	1.7	2.0	2.0	2.0	2.6	2.6	2.6
Engineering	6.9	6.1	6.1	6.1	4.1	4.1	4.6	5.0	5.0	4.0
Airport	-	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Safety										
Police										
Officers	29.8	27.0	27.0	24.3	24.0	24.0	25.0	25.0	27.0	26.0
Civilians	3.4	3.4	3.4	3.4	4.4	4.4	4.4	4.4	4.4	4.4
Highways & Streets										
Maintenance	1.4	1.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Traffic	2.5	1.5	1.3	1.3	1.3	1.3	1.0	1.0	2.0	1.0
Culture and recreation	7.1	6.0	6.0	6.0	6.3	6.3	7.0	7.0	7.0	8.0
Water	8.7	7.5	7.5	7.5	8.8	8.8	8.0	8.5	9.0	9.0
Sewer	6.7	5.5	5.5	5.5	6.8	6.8	6.0	6.5	7.0	7.0
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	85.6	76.0	71.1	69.1	72.1	72.6	71.9	75.4	79.4	77.4

Source: City Payroll Department

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	1,668	1,608	1,435	1,309	1,163	1,065	1,227	1,169	1,204	1,607
Traffic violations	1,176	2,477	2,471	1,310	1,114	1,197	645	391	856	2,113
Fire (contracted with Cowlitz 2 Fire and Rescue)										
Number of calls answered	3,981	3,743	3,974	4,180	4,225	4,107	4,636	4,950	4,953	4,918
Highways and streets										
Street resurfacing (linear feet)	5,150	35,957	21,056	6,300	3,800	13,500	4,700	4,500	3,000	1,127
Sanitation (contracted with Waste Control Equipment Inc.)										
Residential refuse collected (tons monthly average)	519	495	507	524	513	641	642	677	696	712
Residential recyclables collected (tons monthly average)	50	51	46	50	41	40	41	38	41	39
Water										
Number of service connections	4,725	4,758	4,775	4,782	4,778	4,781	4,784	4,789	4,799	4,810
Water main breaks	6	11	9	5	7	7	3	6	6	10
Average daily consumption (millions of gallons)	2.3	2.2	2.2	2.0	2.1	2.1	2.3	2.2	2.19	2.10
Sewer										
Number of service connections	3,938	3,943	3,931	3,924	3,933	3,950	3,982	4,029	4,059	4,072
Average daily sewage treatment (millions of gallons)	2.4	2.6	2.7	2.9	2.3	2.5	2.7	2.7	2.7	2.5

Sources: Various City departments

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

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	9	9	9	9	9	9	9
Highways and streets										
Street (miles)	64	64	64	64	64	64	64	64	64	64
Streetlights	380	432	432	432	441	469	469	483	502	502
Traffic signals	12	13	13	13	13	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)	73.00	73.00	73.00	73.56	73.56	73.56	73.85	74.28	56.30	56.46
Fire hydrants	550	550	554	554	554	556	605	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)	52.00	56.00	56.00	56.52	56.52	56.52	56.80	57.02	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.