

City of Kelso, Washington Comprehensive Annual Financial Report



2020 Smelt Run Cowlitz River, Kelso, WA

*FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019*

City of Kelso, Washington

Comprehensive Annual Financial Report



For the fiscal year ended December 31, 2019

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, 2019

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INTRODUCTORY SECTION

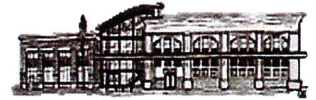
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Finance / Utility Department

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

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



July 22, 2020

To the Honorable Nancy Malone, Mayor
Members of the City Council
Andrew Hamilton, City Manager
Citizens of the City of Kelso

State law requires that all local governments publish within 150 days of the close of each fiscal year financial statements covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the Washington State Auditor's Office. In addition to the State reporting requirements, the City has chosen to issue our financial report in conformity with generally accepted accounting practices (GAAP) and hereby submit this comprehensive annual financial report (CAFR) of the City of Kelso for the fiscal year ended December 31, 2019.

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, 2019, 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, 2019, 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 12,220.

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 WestRock, an American corrugated packaging company, PeaceHealth/St. John Hospital, and Nippon Paper Industries Company, LTD, which are located in neighboring Longview, Washington and in Cowlitz County, Washington.

The economy of the region is based on a mixture of industrial, commercial and service activity. Wood and paper products processing, steel processing, trade and port activity, as well as healthcare, make up the economic foundation of the area. The economy as a whole has become more diversified in recent years, but remains materially dependent on the forest products industry and, as a result, is relatively vulnerable to the cyclical downturns of that industry. The average unemployment rate for the Kelso/Longview metropolitan area in 2019 was 6.0 percent compared with state and national rates of 4.3 percent and 3.7 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, 2018. This was the fifteenth 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**

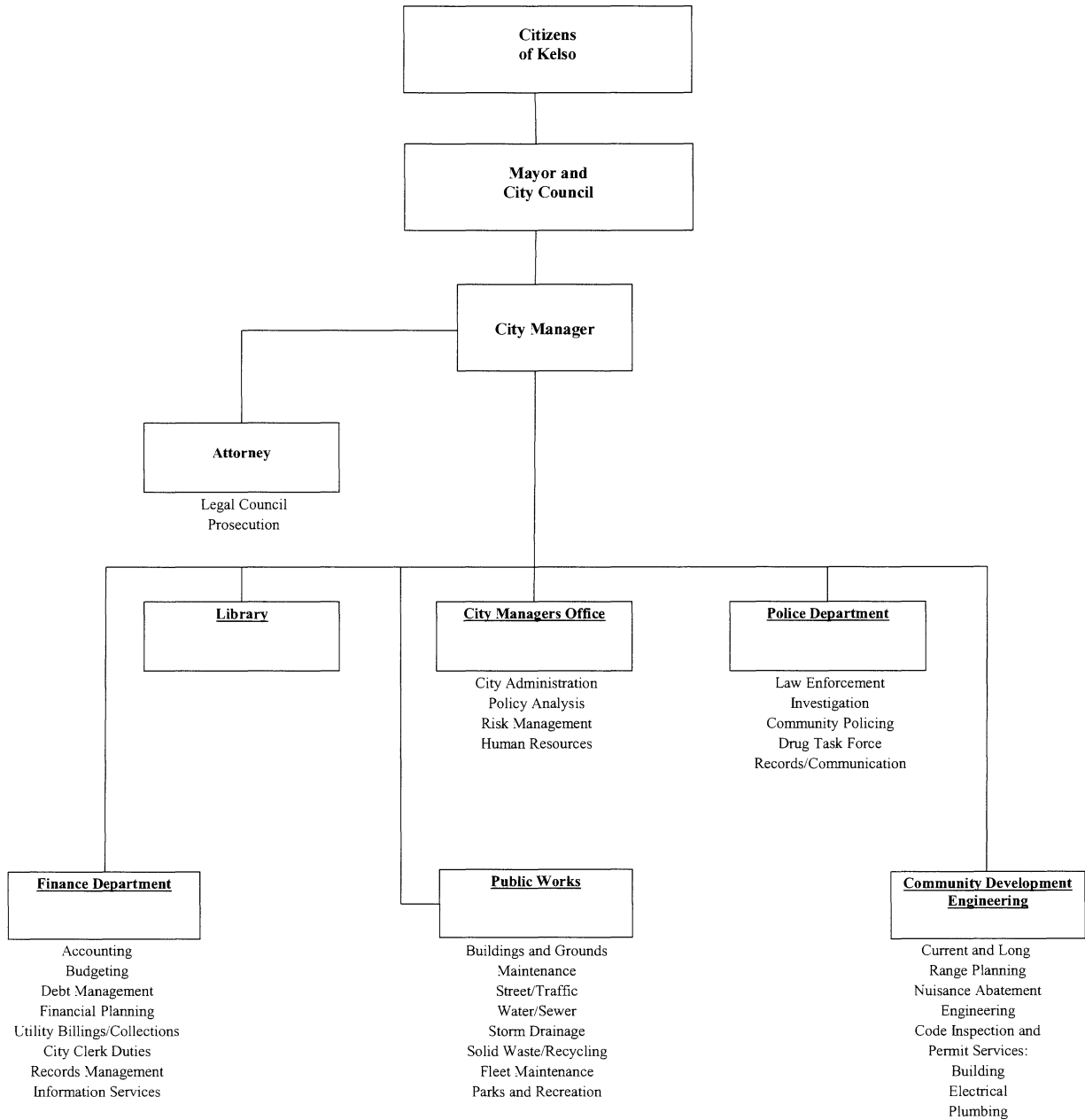
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

City Of Kelso Organizational Chart



City of Kelso

Directory of Officials

December 31, 2019

Elected Officials

Mayor

Nancy Malone

Council Members

Kimberly Lefebvre
David Futcher
Mike Karnofski
Jeffrey McAllister
Lisa Alexander
Keenan Harvey

Appointed Officials

City Manager

Andrew Hamilton

City Attorney

Janean Parker

Clerk / Finance Director

Brian Butterfield

Public Works Superintendent

Randy Johnson

Police Chief

Darr Kirk

Community Development Director/
City Engineer

Michael Kardas

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 22, 2020

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, 2019, 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.

Opinions

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, 2019, 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 February 2020, a state of emergency was declared that could have a negative financial effect on the City. 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 as a whole. The combining financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the 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 are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 22, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

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, 2019. 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 \$104,643 (net position). Capital assets, net of depreciation and related debt, account for \$88,044 or 84.1% of total net position. \$13,051 or 12.5% 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 \$5,361 during 2019.
- As of the close of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$10,694 a decrease of \$129 in comparison with the prior year. Approximately 90% of this amount, \$9,598, 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 \$6,674, or 51% of total general fund expenditures.
- The City of Kelso's total debt (exclusive of compensated absences, bond discounts/premiums, and pension obligations) decreased by \$429 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City of Kelso maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the arterial street fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual

fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Kelso, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$104,643 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, 2019 with comparable data provided for the previous year.

City of Kelso's Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$14,384	\$14,610	\$ 13,046	\$ 11,520	\$ 27,430	\$ 26,130
Capital assets (net)	<u>67,249</u>	<u>63,724</u>	<u>32,568</u>	<u>33,082</u>	<u>99,817</u>	<u>96,806</u>
Total assets	<u>81,633</u>	<u>78,334</u>	<u>45,614</u>	<u>44,602</u>	<u>127,247</u>	<u>122,936</u>
Total deferred outflows of resources	<u>714</u>	<u>520</u>	<u>186</u>	<u>179</u>	<u>900</u>	<u>699</u>
Long-term liabilities outstanding	11,925	12,177	8,403	8,770	20,328	20,947
Other liabilities	<u>636</u>	<u>861</u>	<u>1,101</u>	<u>1,174</u>	<u>1,737</u>	<u>2,035</u>
Total liabilities	<u>12,561</u>	<u>13,038</u>	<u>9,504</u>	<u>9,944</u>	<u>22,065</u>	<u>22,982</u>
Total deferred inflows of resources	<u>1,071</u>	<u>1,107</u>	<u>368</u>	<u>264</u>	<u>1,439</u>	<u>1,371</u>
Net position:						
Net investment in capital assets	62,845	59,025	25,199	25,677	88,044	84,702
Restricted	3,182	2,834	366	478	3,548	3,312
Unrestricted	<u>2,688</u>	<u>2,850</u>	<u>10,363</u>	<u>8,418</u>	<u>13,051</u>	<u>11,268</u>
Total net position	<u>\$68,715</u>	<u>\$64,709</u>	<u>\$35,928</u>	<u>\$34,573</u>	<u>\$104,643</u>	<u>\$99,282</u>

By far the largest portion of the City's net position (84.1 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 (3.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$13,051 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 \$4,006 in 2019. Revenues increased by \$1,774 and expenses increased by \$1,436 in 2019. Key elements for these changes are as follows:

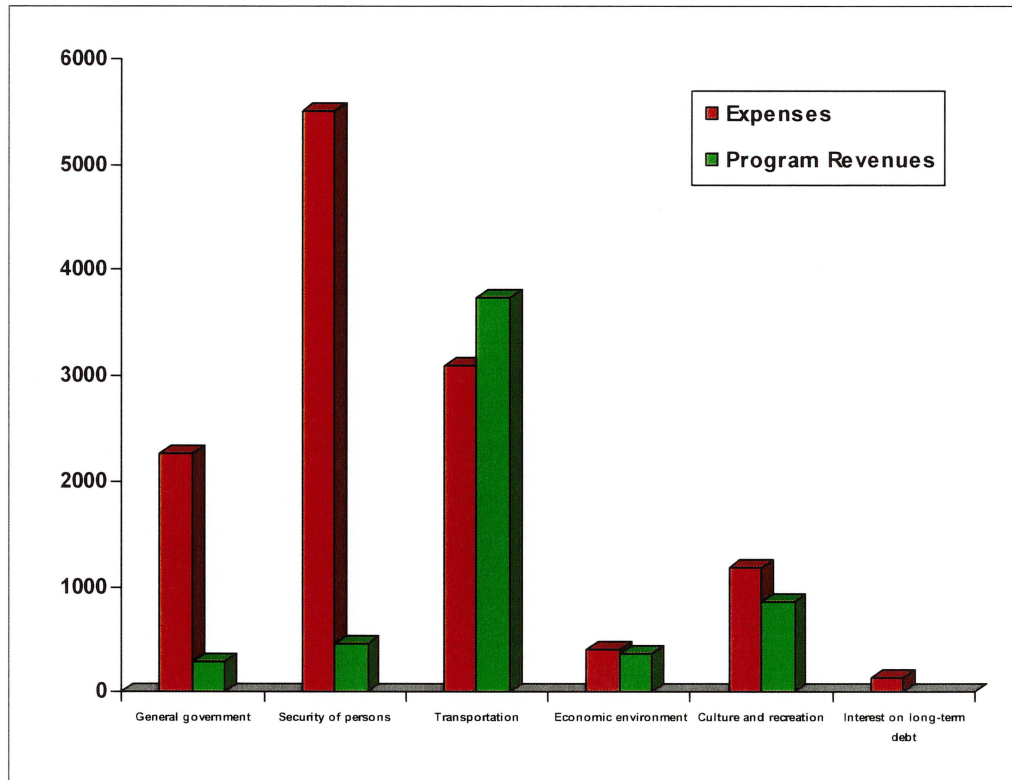
- Grant revenues for parks and transportation improvements increased by \$2,580 from prior year.

- Park improvement expenses increased by \$1,678 over prior year. In 2019, the City completed Phase 1 of the Tam O'Shanter Park Improvement project.

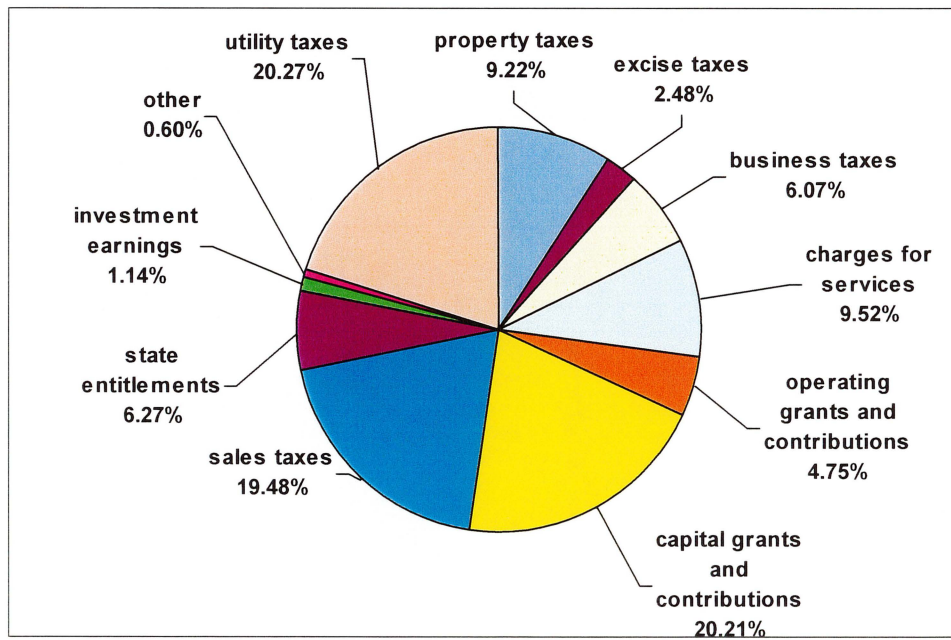
City of Kelso's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$1,580	\$1,108	\$12,241	\$11,863	\$13,821	\$12,971
Operating grants and contributions	787	514	152	6	939	520
Capital grants and contributions	3,356	2,584	-	146	3,356	2,730
General revenues:						
Property taxes	1,530	1,506	-	-	1,530	1,506
Sales and use taxes	3,234	2,932	-	-	3,234	2,932
Utility taxes	3,366	3,358	-	-	3,366	3,358
Business taxes	1,009	986	-	-	1,009	986
Excise taxes	411	450	-	-	411	450
Penalties and interest	-	9	-	-	-	9
State entitlements	1,041	978	-	-	1,041	978
Investment earnings	189	142	198	148	387	290
Miscellaneous	101	75	-	-	101	75
Gain/(loss) on sale of capital assets	(2)	186	-	-	(2)	186
Total revenues	<u>16,602</u>	<u>14,828</u>	<u>12,591</u>	<u>12,163</u>	<u>29,193</u>	<u>26,991</u>
Expenses:						
General government	2,255	2,331	-	-	2,255	2,331
Security of persons and property	5,505	4,661	-	-	5,505	4,661
Transportation	3,100	2,489	-	-	3,100	2,489
Economic environment	407	302	-	-	407	302
Culture and recreation	1,185	1,228	-	-	1,185	1,228
Interest on long-term debt	144	149	-	-	144	149
Water/Sewer	-	-	8,790	8,836	8,790	8,836
Storm water	-	-	717	678	717	678
Solid waste	-	-	1,729	1,675	1,729	1,675
Total expenses	<u>12,596</u>	<u>11,160</u>	<u>11,236</u>	<u>11,189</u>	<u>23,832</u>	<u>22,349</u>
Change in net position before transfers	4,006	3,668	1,355	974	5,361	4,642
Transfers	-	(44)	-	44	-	-
Change in net position	4,006	3,624	1,355	1,018	5,361	4,642
Net position – beginning	<u>64,709</u>	<u>61,085</u>	<u>34,573</u>	<u>33,555</u>	<u>99,282</u>	<u>94,640</u>
Net position – ending	<u>\$ 68,715</u>	<u>\$ 64,709</u>	<u>\$35,928</u>	<u>\$34,573</u>	<u>\$104,643</u>	<u>\$99,282</u>

Expenses and Program Revenues – Governmental Activities

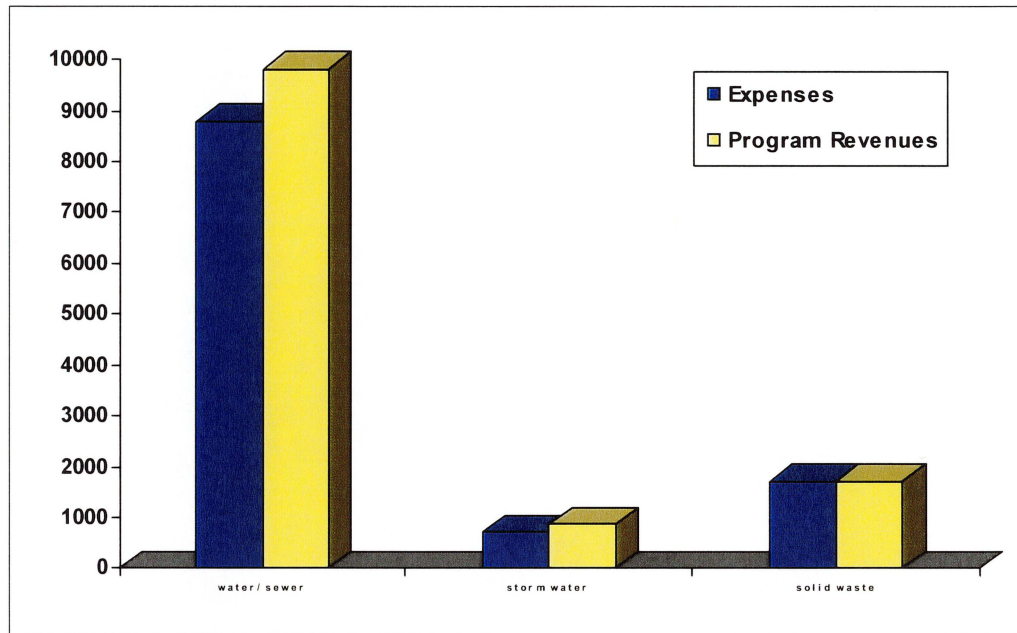


Revenues by Source - Governmental Activities

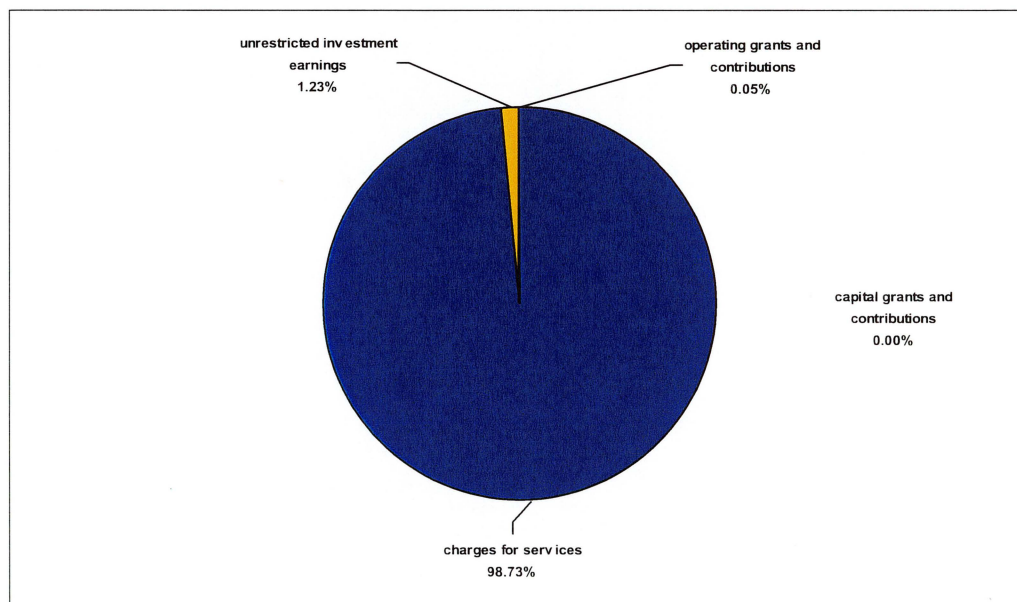


Business-type activities. Business-type activities increased the City of Kelso's net position by \$1,354. Business-type activity revenues increased by \$428 and expenditures increased by \$47 in 2019. Operating revenues exceeded operating expenses in 2019 by \$846 in the water/sewer fund.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



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

- The increase in net position reflects the City's commitment to accumulate sufficient reserves to fund future capital improvements in the water and sewer infrastructure.
- The City increased the water and sewer rates by 3% and 2%, respectively in 2019.
- The City increased the garbage collection rates by 4% in 2019.
- The City increased the stormwater drainage collection rates by 3% in 2019.

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 \$10,694 a decrease of \$129 in comparison with the prior year. Approximately 90% of ending fund balance (\$9,598) 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 (\$274), 2) to pay for low income housing (\$53), 3) to pay for street maintenance & construction (\$64), 4) to pay for construction or debt service on certain capital projects (\$316), 5) for a variety of other restricted purposes (\$389)

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 \$7,028. All but \$684 of this fund balance is unassigned. \$354 is restricted for low income housing, criminal justice, building permitting, and public education. \$330 has been assigned by the City for maintenance of City owned bridges. Unassigned fund balance represents 57 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 \$491 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 2019, the arterial street fund expended in excess of \$2.8 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 \$8,825, and for the solid waste fund amounted to \$250. The total net position for the water/sewer fund increased by \$1,121 and the total net position for the solid waste fund decreased by \$18. 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 \$325 increase in appropriations.

At the end of the year, operating revenues exceeded budgetary estimates by \$161 and operating expenditures and transfers were \$1,246 less than budgetary estimates.

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

- Pass-thru grant expenditures for airport improvements were \$700 less than anticipated.
- Certain positions within the City were vacant for a portion of the year.

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, 2019 amounts to \$88,044 (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 2019, construction was completed on the improvements at Tam O' Shanter Park. The project consisted of improving the parking, circulation and safety for vehicles and pedestrians by adding a two-way parking lot bypass road, adding sidewalks, adding new parking areas (paved and gravel), rehabilitating the roads

and parking lots, restoring a portion of an existing baseball field, improving the landscaping the stormwater management system and installing conduit and pullboxes for future lighting. The total cost of the project through December 31, 2019, was \$2,206,927.

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

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$23,136	\$23,120	\$ 29	\$ 29	\$23,165	\$23,149
Buildings and structures	6,968	7,125	12,884	12,895	19,852	20,020
Improvements other than buildings	5,730	3,689	17,885	18,391	23,615	22,080
Machinery and equipment	901	966	1,593	1,611	2,494	2,577
Infrastructure	26,522	26,834	-	-	26,522	26,834
Construction in progress	<u>3,992</u>	<u>1,990</u>	<u>177</u>	<u>157</u>	<u>4,169</u>	<u>2,147</u>
Total	<u>\$67,249</u>	<u>\$63,724</u>	<u>\$32,568</u>	<u>\$33,083</u>	<u>\$99,817</u>	<u>\$96,807</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 \$4,250. 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	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$4,250	\$4,530	\$-	\$-	\$4,250	\$4,530
Revenue bonds	<u>-</u>	<u>-</u>	<u>3,440</u>	<u>3,665</u>	<u>3,440</u>	<u>3,665</u>
Total	<u>\$4,250</u>	<u>\$4,530</u>	<u>\$3,440</u>	<u>\$3,665</u>	<u>\$7,690</u>	<u>\$8,195</u>

The City of Kelso's total bonded debt decreased by \$505 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 \$4,409.

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 2019 was 6.0 percent, which is an increase from a rate of 5.9 percent in 2018. This compares unfavorably to the State's average unemployment rate of 4.3 percent and the national average rate of 3.7 percent.
- In 2019, 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 2020 fiscal year.

At the end of the current fiscal year the unassigned fund balance in the general fund is \$6,344. In 2020, the City anticipates spending down \$950 of this unassigned fund balance. Most of the anticipated deficit stems from an enhanced street maintenance program, as well as, conservative revenue projections.

In 2020, water and sewer non-industrial rates will be increased by 7% and 3%, respectively. Garbage rates will be increased by 9%. 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, 2019

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	\$ 7,938,612	\$ 10,463,592	\$ 18,402,204
Investments	1,007,828	25,433	1,033,261
Receivables (net of allowance for uncollectible):	2,713,273	1,951,309	4,664,582
Net pension asset	2,368,669	-	2,368,669
Long-term notes receivable	355,069	-	355,069
Restricted assets	-	605,801	605,801
Capital assets net of accumulated depreciation:			
Land	23,136,179	28,712	23,164,891
Buildings	6,968,426	12,884,049	19,852,475
Improvements other than buildings	5,729,712	17,884,632	23,614,344
Machinery and equipment	900,952	1,593,186	2,494,138
Infrastructure	26,521,977	-	26,521,977
Construction in progress	3,992,176	177,120	4,169,296
Total assets	<u>81,632,873</u>	<u>45,613,834</u>	<u>127,246,707</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	29,891	-	29,891
Deferred outflows related to pensions	632,338	185,790	818,128
Deferred outflows related to OPEB	52,323	-	52,323
Total deferred outflows of resources	<u>714,552</u>	<u>185,790</u>	<u>900,342</u>
LIABILITIES			
Accounts payable and other current liabilities	588,367	788,166	1,376,533
Interest payable	12,103	27,856	39,959
Unearned revenue	35,845	45,567	81,412
Liabilities payable from restricted assets	-	239,301	239,301
Long-term liabilities:			
Due within one year	398,665	690,813	1,089,478
Due in more than one year	4,570,049	7,243,588	11,813,637
Net pension liability	621,138	468,578	1,089,716
Total OPEB liability	<u>6,335,325</u>	<u>-</u>	<u>6,335,325</u>
Total liabilities	<u>12,561,492</u>	<u>9,503,869</u>	<u>22,065,361</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,071,206	367,642	1,438,848
Total deferred inflows of resources	<u>1,071,206</u>	<u>367,642</u>	<u>1,438,848</u>
NET POSITION			
Net investment in capital assets	62,844,794	25,198,903	88,043,697
Restricted for:			
Debt service	-	366,500	366,500
Pensions	2,085,828	-	2,085,828
Capital projects	316,419	-	316,419
Promotion of tourism	83,607	-	83,607
Paths and trails	4,382	-	4,382
Street maintenance/construction	63,506	-	63,506
Criminal Justice	65,362	-	65,362
Affordable housing	53,053	-	53,053
Housing/neighborhood rehabilitation	273,906	-	273,906
Public education	30,053	-	30,053
Building permitting	205,868	-	205,868
Unrestricted	2,687,949	10,362,710	13,050,659
Total net position	<u>\$ 68,714,727</u>	<u>\$ 35,928,113</u>	<u>\$ 104,642,840</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, 2019

31

Functions/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,254,797	\$ 277,970	\$ -	\$ 16,480	\$ (1,960,347)	\$ -	\$ (1,960,347)
Security of persons and property	5,504,916	400,107	56,061	-	(5,048,748)	-	(5,048,748)
Transportation	3,100,225	415,517	731,483	2,596,102	642,877	-	642,877
Economic environment	407,302	371,147	-	-	(36,155)	-	(36,155)
Culture and recreation	1,184,662	115,299	-	743,044	(326,319)	-	(326,319)
Interest on long-term debt	144,422	-	-	-	(144,422)	-	(144,422)
Total governmental activities	<u>12,596,324</u>	<u>1,580,040</u>	<u>787,544</u>	<u>3,355,626</u>	<u>(6,873,114)</u>	<u>-</u>	<u>(6,873,114)</u>
Business-type activities:							
Water/Sewer	8,789,798	9,654,663	152,350	-	-	1,017,215	1,017,215
Solid waste	1,729,083	1,707,785	-	-	-	(21,298)	(21,298)
Storm water	717,599	878,331	-	-	-	160,732	160,732
Total business-type activities	<u>11,236,480</u>	<u>12,240,779</u>	<u>152,350</u>	<u>-</u>	<u>-</u>	<u>1,156,649</u>	<u>1,156,649</u>
Total primary government	<u>\$ 23,832,804</u>	<u>\$ 13,820,819</u>	<u>\$ 939,894</u>	<u>\$ 3,355,626</u>	<u>\$ (6,873,114)</u>	<u>\$ 1,156,649</u>	<u>\$ (5,716,465)</u>
General Revenues:							
Property taxes					1,530,183	-	1,530,183
Sales taxes					3,233,921	-	3,233,921
Utility taxes					3,365,886	-	3,365,886
Business taxes					1,008,558	-	1,008,558
Excise taxes					411,005	-	411,005
State entitlements (unrestricted)					1,040,963	-	1,040,963
Investment earnings					189,274	197,997	387,271
Miscellaneous					101,272	-	101,272
Gain/(loss) on sale of capital assets					(2,005)	-	(2,005)
Total general revenues					<u>10,879,057</u>	<u>197,997</u>	<u>11,077,054</u>
Change in net position					<u>4,005,943</u>	<u>1,354,646</u>	<u>5,360,589</u>
Net position - beginning					<u>64,708,784</u>	<u>34,573,467</u>	<u>99,282,251</u>
Net position - ending					<u>\$ 68,714,727</u>	<u>\$ 35,928,113</u>	<u>\$ 104,642,840</u>

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

City of Kelso
Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	Arterial Street Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 5,367,653	\$ 546,327	\$ 1,539,269	\$ 7,453,249
Investments	209,964	-	797,864	1,007,828
Receivables (net):				
Taxes	1,695,750	-	9,165	1,704,915
Accounts	150,152	14,107	26,231	190,490
Assessments	-	9,774	-	9,774
Due from other funds	-	-	632,000	632,000
Due from other governments	199,304	599,100	9,690	808,094
Advances to other funds	-	-	193,004	193,004
Long-term notes receivable	-	-	355,069	355,069
Total assets	<u>\$ 7,622,823</u>	<u>\$ 1,169,308</u>	<u>\$ 3,562,292</u>	<u>\$ 12,354,423</u>
LIABILITIES				
Accounts payable	409,038	166,622	12,707	588,367
Due to other funds	-	632,000	-	632,000
Advances from other funds	-	193,004	-	193,004
Unearned revenue	-	9,774	26,071	35,845
Total liabilities	<u>409,038</u>	<u>1,001,400</u>	<u>38,778</u>	<u>1,449,216</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property tax	72,614	-	-	72,614
Unavailable revenue-municipal court	112,890	-	-	112,890
Unavailable revenue-grants	-	25,477	-	25,477
Total deferred inflows of resources	<u>185,504</u>	<u>25,477</u>	<u>-</u>	<u>210,981</u>
FUND BALANCES (DEFICITS)				
Restricted for:				
Paths and trails	-	-	4,382	4,382
Promotion of tourism	-	-	83,607	83,607
Housing/neighborhood rehabilitation	-	-	273,906	273,906
Low income housing	53,053	-	-	53,053
Criminal justice	65,362	-	-	65,362
Street maintenance/construction	-	-	63,506	63,506
Capital projects	-	-	316,419	316,419
Public education	30,053	-	-	30,053
Building permitting	205,868	-	-	205,868
Assigned to:				
Debt service	-	-	2,171,481	2,171,481
Bridge maintenance	329,880	-	-	329,880
Recreation	-	-	9,643	9,643
Neighborhood rehabilitation	-	-	489,581	489,581
Criminal justice	-	-	78,068	78,068
Street maintenance/construction	-	142,431	-	142,431
Promotion of tourism	-	-	32,921	32,921
Unassigned	6,344,065	-	-	6,344,065
Total fund balances	<u>7,028,281</u>	<u>142,431</u>	<u>3,523,514</u>	<u>10,694,226</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 7,622,823</u>	<u>\$ 1,169,308</u>	<u>\$ 3,562,292</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.	66,677,745
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	210,981
Net Pension and Total OPEB Assets or Liabilities are not considered to represent a financial resource or liability and, therefore, are not reported in the funds.	(4,974,339)
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,057,040
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(4,950,926)

Net position of governmental activities \$ 68,714,727

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, 2019

	General Fund	Arterial Street Fund	Other Governmental Funds	Total
Revenues				
Taxes	\$ 8,983,376	\$ -	\$ 560,524	\$ 9,543,900
Licenses and permits	284,509	-	-	284,509
Intergovernmental	2,400,208	2,592,187	204,383	5,196,778
Charges for services	1,198,135	169,284	7,411	1,374,830
Fines	168,832	-	416	169,248
Investment earnings	125,332	3,071	60,393	188,796
Contributions	22,700	-	-	22,700
Rental/lease income	94,888	-	10,920	105,808
Miscellaneous	42,731	1,764	70,969	115,464
Total revenues	<u>13,320,711</u>	<u>2,766,306</u>	<u>915,016</u>	<u>17,002,033</u>
Expenditures				
Current:				
General government	3,085,954	-	-	3,085,954
Security of persons and property	4,947,305	-	258,004	5,205,309
Transportation	1,789,447	301,638	-	2,091,085
Economic environment	428,910	-	-	428,910
Culture and recreation	936,124	-	121,656	1,057,780
Debt service:				
Principal	-	-	280,000	280,000
Interest and bond issuance costs	-	5,846	153,633	159,479
Capital outlay:				
General government	25,258	-	-	25,258
Security of persons and property	18,411	-	-	18,411
Transportation	-	2,801,319	-	2,801,319
Culture and recreation	1,977,576	-	-	1,977,576
Total expenditures	<u>13,208,985</u>	<u>3,108,803</u>	<u>813,293</u>	<u>17,131,081</u>
Excess (deficiency) of revenues over (under) expenditures	<u>111,726</u>	<u>(342,497)</u>	<u>101,723</u>	<u>(129,048)</u>
Other financing sources (uses)				
Transfers in	760,000	323,120	505,442	1,588,562
Transfers out	(380,829)	(23,200)	(1,184,533)	(1,588,562)
Total other financing sources (uses)	<u>379,171</u>	<u>299,920</u>	<u>(679,091)</u>	<u>-</u>
Net change in fund balances	490,897	(42,577)	(577,368)	(129,048)
Fund balances - beginning	6,537,384	185,008	4,100,882	10,823,274
Fund balances - ending	<u>\$ 7,028,281</u>	<u>\$ 142,431</u>	<u>\$ 3,523,514</u>	<u>\$ 10,694,226</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, 2019

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

Net change in fund balances - total governmental funds (page 33)	\$ (129,048)
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.	3,573,304
The net effect of various miscellaneous transactions involving capital assets is to increase net assets.	14,100
The net effect of funding the City's annual required contribution to the State Pension Fund.	576,486
The net effect of funding the City's post-retirement health care benefits for LEOFF 1 (Law Enforcement Officers and Fire Fighters) employees.	(471,120)
Some revenues reported in the governmental funds have already been reported in the statement of activities in prior years.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	28,409
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.	280,000
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.	20,473
Some expenses reported in the governmental funds have already been reported in the statement of activities in prior years.	625
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.	112,714
Change in net position of governmental activities (page 31)	<u>\$ 4,005,943</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, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 7,216,773	\$ 6,916,773	\$ 7,356,649	\$ 439,876
Licenses and permits	145,000	145,000	284,509	139,509
Intergovernmental	2,090,200	2,090,200	1,385,679	(704,521)
Charges for services	969,500	969,500	1,175,812	206,312
Fines	134,000	134,000	166,529	32,529
Investment earnings	85,000	85,000	109,520	24,520
Contributions	7,500	7,500	22,700	15,200
Rental/lease income	-	-	1,800	1,800
Other miscellaneous	11,000	11,000	16,555	5,555
Total revenues	<u>10,658,973</u>	<u>10,358,973</u>	<u>10,519,753</u>	<u>160,780</u>
Expenditures				
General government:				
Council	173,600	173,600	143,667	29,933
Municipal court	330,100	330,100	305,181	24,919
Manager	353,950	353,950	303,897	50,053
Finance	682,100	682,100	671,967	10,133
Attorney	162,500	162,500	172,979	(10,479)
Police	103,000	103,000	77,518	25,482
Engineering	716,900	716,900	635,271	81,629
Other - unclassified	756,147	756,147	775,474	(19,327)
Total general government	<u>3,278,297</u>	<u>3,278,297</u>	<u>3,085,954</u>	<u>192,343</u>
Security of persons and property:				
Police	4,368,660	4,368,660	4,325,559	43,101
Jail	340,000	340,000	270,616	69,384
Fire	263,000	263,000	244,137	18,863
Other	108,250	108,250	106,993	1,257
Total security of persons and property	<u>5,079,910</u>	<u>5,079,910</u>	<u>4,947,305</u>	<u>132,605</u>
Transportation	<u>1,600,200</u>	<u>1,600,200</u>	<u>933,318</u>	<u>666,882</u>
Economic environment	<u>494,100</u>	<u>494,100</u>	<u>428,910</u>	<u>65,190</u>
Culture and recreation	<u>7,500</u>	<u>7,500</u>	<u>2,844</u>	<u>4,656</u>
Capital outlay	<u>99,250</u>	<u>99,250</u>	<u>43,669</u>	<u>55,581</u>
Total expenditures	<u>10,559,257</u>	<u>10,559,257</u>	<u>9,442,000</u>	<u>1,117,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,716</u>	<u>(200,284)</u>	<u>1,077,753</u>	<u>1,278,037</u>
Other financing sources (uses)				
Transfers in	72,500	72,500	60,000	(12,500)
Transfers out	(427,925)	(752,925)	(623,689)	129,236
Total other financing sources (uses)	<u>(355,425)</u>	<u>(680,425)</u>	<u>(563,689)</u>	<u>116,736</u>
Net change in fund balances budgetary basis	<u>(255,709)</u>	<u>(880,709)</u>	<u>514,064</u>	<u>1,394,773</u>
Reconciliation of budgetary/GAAP basis:				
Basis difference (See note III.B.)			(23,167)	
Net change in fund balance GAAP basis			490,897	
Fund balance - beginning			6,537,384	
Fund balance - ending			<u>\$ 7,028,281</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, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 6,925,000	\$ 7,040,000	\$ 2,592,187	\$ (4,447,813)
Charges for services	168,000	168,000	169,284	1,284
Investment earnings	4,000	4,000	3,071	(929)
Miscellaneous	200	200	1,764	1,564
Total revenues	<u>7,097,200</u>	<u>7,212,200</u>	<u>2,766,306</u>	<u>(4,445,894)</u>
Expenditures				
Transportation	785,000	785,000	301,638	483,362
Capital outlay	6,575,000	6,815,000	2,801,319	4,013,681
Debt Service:				
Principal	32,000	32,000	-	32,000
Interest and bond issuance costs	5,120	5,120	5,846	(726)
Total expenditures	<u>7,397,120</u>	<u>7,637,120</u>	<u>3,108,803</u>	<u>4,528,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(299,920)</u>	<u>(424,920)</u>	<u>(342,497)</u>	<u>82,423</u>
Other financing sources (uses)				
Transfers in	323,120	448,120	323,120	(125,000)
Transfers out	(23,200)	(23,200)	(23,200)	-
Total other financing sources (uses)	<u>299,920</u>	<u>424,920</u>	<u>299,920</u>	<u>(125,000)</u>
Net change in fund balance	-	-	(42,577)	(42,577)
Fund balance - beginning	185,008	185,008	185,008	-
Fund balance - ending	<u>\$ 185,008</u>	<u>\$ 185,008</u>	<u>\$ 142,431</u>	<u>\$ (42,577)</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, 2019

	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	\$ 124,135	\$ 9,035,534	\$ 525,935	\$ 9,685,604	\$ 1,263,351
Investments	-	25,433	-	25,433	-
Restricted cash, cash equivalents, and investments:					
Customer deposits	-	239,301	-	239,301	-
Accounts receivable	290,000	1,380,724	154,235	1,824,959	-
Due from other governments	-	126,350	-	126,350	-
Total current assets	414,135	10,807,342	680,170	11,901,647	1,263,351
Noncurrent assets:					
Restricted cash, cash equivalents, and investments:					
Cash - revenue bond covenants	-	-	-	-	-
Investments - revenue bond covenants	-	366,500	-	366,500	-
Capital Assets:					
Land	-	28,712	-	28,712	-
Buildings and structures	-	16,072,244	-	16,072,244	-
Improvements other than buildings	-	29,361,289	1,307,160	30,668,449	-
Machinery and equipment	-	2,629,430	-	2,629,430	3,648,035
Construction in progress	-	177,120	-	177,120	-
Less accumulated depreciation	-	(17,237,155)	(390,613)	(17,627,768)	(2,456,846)
Total capital assets (net of accumulated depreciation)	-	31,031,640	916,547	31,948,187	1,191,189
Total noncurrent assets	-	31,398,140	916,547	32,314,687	1,191,189
Total Assets	414,135	42,205,482	1,596,717	44,216,334	2,454,540
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	155,545	30,245	185,790	-
Total Deferred Outflows of Resources	-	155,545	30,245	185,790	-

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

Business-type Activities - Enterprise Funds					
	Major Funds		Non-Major		
	Solid	Water-	Fund		Internal
	Waste	Sewer	Storm	Total	Service
			Water		Funds
LIABILITIES					
Current Liabilities:					
Accounts payable	164,534	568,267	22,751	755,552	32,614
Compensated absences	-	19,151	2,283	21,434	-
Customer deposits	-	239,301	-	239,301	-
Accrued interest payable	-	27,856	-	27,856	-
Unearned revenue	-	45,567	-	45,567	-
Current revenue bonds payable	-	225,000	-	225,000	-
Current portion notes payable	-	441,379	-	441,379	-
Total current liabilities	164,534	1,566,521	25,034	1,756,089	32,614
Noncurrent liabilities:					
Compensated absences	-	57,455	6,848	64,303	-
Revenue bonds payable	-	3,215,000	-	3,215,000	-
Notes payable	-	3,967,285	-	3,967,285	-
Net pension liability	-	392,298	76,280	468,578	-
Total noncurrent liabilities	-	7,632,038	83,128	7,715,166	-
Total Liabilities	164,534	9,198,559	108,162	9,471,255	32,614
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	-	307,793	59,849	367,642	-
Total Deferred Inflows of Resources	-	307,793	59,849	367,642	-
NET POSITION					
Net investment in capital assets	-	23,662,844	916,547	24,579,391	1,191,189
Restricted for debt service	-	366,500	-	366,500	-
Unrestricted	249,601	8,825,331	542,404	9,617,336	1,230,737
Total net position	\$ 249,601	\$ 32,854,675	\$ 1,458,951	34,563,227	\$ 2,421,926
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				1,364,886	
Net position of business-type activities				\$ 35,928,113	

City of Kelso
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	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	\$ 1,704,731	\$ 9,250,152	\$ 832,698	\$ 11,787,581	\$ 403,316
Other operating revenue	3,054	171,865	262	175,181	3,005
Total operating revenues	1,707,785	9,422,017	832,960	11,962,762	406,321
Operating expenses:					
General operations	927,130	3,250,961	643,816	4,821,907	-
Contracted processing operations	518,100	2,934,347	-	3,452,447	-
Maintenance	25,308	301,241	54,013	380,562	-
Depreciation	-	868,838	19,940	888,778	206,381
Taxes	258,545	1,220,163	11,450	1,490,158	-
Total operating expenses	1,729,083	8,575,550	729,219	11,033,852	206,381
Operating income (loss)	(21,298)	846,467	103,741	928,910	199,940
Nonoperating revenues (expenses):					
Investment earnings	2,996	175,619	7,442	186,057	19,746
Intergovernmental	-	152,350	-	152,350	-
Other	-	168,352	33,987	202,339	-
Gain (loss) on capital asset disposition	-	-	-	-	(563)
Interest expense	-	(221,419)	-	(221,419)	-
Total nonoperating revenues (expenses)	2,996	274,902	41,429	319,327	19,183
Income (loss) before capital contributions and transfers	(18,302)	1,121,369	145,170	1,248,237	219,123
Change in net position	(18,302)	1,121,369	145,170	1,248,237	219,123
Total net position - beginning	267,903	31,733,306	1,313,781		2,202,803
Total net position - ending	\$ 249,601	\$ 32,854,675	\$ 1,458,951		\$ 2,421,926
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				106,409	
Change in net position of business-type activities				\$ 1,354,646	

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, 2019

	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	\$ 1,693,108	\$ 9,410,527	\$ 821,646	\$ 11,925,281	\$ -
Receipts from other sources	3,054	80,703	-	83,757	-
Receipts from interfund services provided	-	91,162	2,110	93,272	406,321
Payments to suppliers and service providers	(1,619,335)	(5,785,695)	(289,671)	(7,694,701)	-
Payments to employees	(9,362)	(1,630,659)	(318,947)	(1,958,968)	-
Payments for interfund services used	(94,311)	(398,825)	(119,697)	(612,833)	-
Net cash provided (used) by operating activities	(26,846)	1,767,213	95,441	1,835,808	406,321
Cash flows from noncapital financing activities					
Operating grants received	-	26,000	-	26,000	-
Net cash provided (used) by noncapital financing activities	-	26,000	-	26,000	-
Cash flows from capital and related financing activities					
Proceeds from capital recovery fees	-	168,352	33,987	202,339	-
Proceeds from State Revolving Fund loan	-	517,636	-	517,636	-
Proceeds from sale of capital assets	-	-	-	-	3,541
Acquisition and construction of capital assets	-	(388,735)	-	(388,735)	(155,775)
Principal paid on capital debt	-	(666,380)	-	(666,380)	-
Interest paid on capital debt	-	(221,968)	-	(221,968)	-
Capital grants received	-	145,500	-	145,500	-
Net cash provided (used) by capital financing activities	-	(445,595)	33,987	(411,608)	(152,234)
Cash flows from investing activities					
Interest received	2,996	165,452	7,442	175,890	19,746
Proceeds from sale of investments	-	800,000	-	800,000	-
Net cash provided (used) by investing activities	2,996	965,452	7,442	975,890	19,746
Net increase (decrease) in cash and cash equivalents	(23,850)	2,313,070	136,870	2,426,090	273,833
Cash and cash equivalents, January 1	147,985	6,961,765	389,065	7,498,815	989,518
Cash and cash equivalents, December 31	\$ 124,135	\$ 9,274,835	\$ 525,935	\$ 9,924,905	\$ 1,263,351
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (21,298)	\$ 846,467	\$ 103,741	\$ 928,910	\$ 199,940
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	868,838	19,940	888,778	206,381
(Increase) decrease in accounts receivable	(11,623)	211,139	(9,204)	190,312	-
Increase (decrease) in customer deposits	-	(96,331)	-	(96,331)	-
Increase (decrease) in accounts payable	6,075	(19,332)	13,926	669	-
Increase (decrease) in compensated absences	-	3,369	-	3,369	-
Increase (decrease) in unearned revenues	-	45,567	-	45,567	-
Increase (decrease) in pension expense	-	(92,504)	(32,962)	(125,466)	-
Total adjustments	(5,548)	920,746	(8,300)	906,898	206,381
Net cash provided (used) by operating activities	\$ (26,846)	\$ 1,767,213	\$ 95,441	\$ 1,835,808	\$ 406,321
Schedule of non-cash investing activities:					
Gain in fair market value of investments.	\$ -	\$ 10,168	\$ -	\$ 10,168	\$ -

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, 2019

	Airport Agency Fund
	<hr/>
Assets	
Cash & cash equivalents	\$ 518,286
Receivables	72,453
Total assets	<hr/> 590,739 <hr/>
Liabilities	
Accounts payable	176,169
Due to other governments	150,000
Custodial accounts	264,570
Total liabilities	<hr/> \$ 590,739 <hr/>

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

CITY OF KELSO
Notes to the Financial Statements
December 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019 the City has \$14,006,501 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, 2019

At December 31, 2019, 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	\$ -	\$ 1,399,762	\$ -
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 1,399,762</u>	<u>\$ -</u>

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 are \$279 delinquent special assessments as of December 31, 2019.

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

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

3. Inventories

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

4. Restricted assets

Certain proceeds of the City’s water/sewer fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the

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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 consist of \$605,801 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 capital assets acquired prior to December 31, 2016, and those acquired/placed in service after that date. Prior to December 31, 2016, a capital asset was defined as an individual asset with an initial value in excess of \$5,000 and a useful life in excess of one year. Subsequent to December 31, 2016, the City adjusted its definition of capital assets to identify the following thresholds:

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

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

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

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

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<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.

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

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amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net position/Fund balance

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

10. Fund balance components

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

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City’s highest level of decision-making authority. City Council can commit fund balance by passing an ordinance and may modify or rescind the ordinance at any time through the passage of an additional ordinance.
- Assigned fund balance includes amounts that are constrained by the City’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the remaining amounts within the fund that are not classified as nonspendable and are neither restricted nor committed. The City Council is the only body 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 \$(4,950,926) difference are as follows:

Bonds payable	\$(4,250,000)
Deferred charges/loss on issuance (to be amortized over life of debt)	29,891
Premium on G.O. Bond (to be amortized over life of debt)	(284,054)
Accrued interest payable	(12,103)
Compensated absences	<u>(434,660)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$(4,950,926)</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 \$66,677,745 difference are as follows:

Capital assets used in governmental fund operations	\$94,162,035
Less: Accumulated depreciation	<u>(27,484,290)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$66,677,745</u>

Another element of that reconciliation explains that “Net Pension and Net OPEB Assets or Liabilities are not considered to represent a financial resource or liability and, therefore, are not reported in the funds. The details of this \$(4,974,339) difference are as follows:

Net OPEB liability	\$(6,335,325)
Net pension liability	(621,138)
Net pension asset	2,368,669
Deferred inflows related to pensions	(1,071,206)
Deferred outflows related to OPEB	52,323
Deferred outflows related to pensions	<u>632,338</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(4,974,339)</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 \$210,981 difference are as follows:

Property taxes receivable	\$ 72,614
Grants receivable	25,477
Court ordered fines receivable – net	<u>112,890</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 210,981</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 \$3,573,304 difference are as follows:

Capital outlay	\$ 4,822,564
Depreciation expense	<u>(1,249,260)</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>\$ 3,573,304</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 \$28,409 difference are as follows:

Property tax receivable	\$ 5,653
Grants receivable	3,915
Court ordered fines	<u>18,841</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>\$ 28,409</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 \$280,000 difference are as follows:

<u>Principal repayments:</u>	
General obligation debt	<u>\$ 280,000</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities.</i>	<u>\$ 280,000</u>

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 \$14,100 difference are as follows:

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Donations of capital assets	\$ 16,480
Loss on disposition of capital assets	<u>(2,380)</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>\$ 14,100</u>
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Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$20,473 difference are as follows:

Compensated absences	\$ 6,041
Amortization of issuance costs	(3,321)
Amortization of bond premium	<u>17,753</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>\$ 20,473</u>
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III. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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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 2019 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	\$ 769,900
Library fund	590,542
Kelso Station fund	53,939
Parks Fund	2,329,427
Façade Fund	10

Expenditures:

Street fund	(799,111)
Library fund	(548,441)
Kelso Station fund	(57,018)
Parks Fund	<u>(2,362,415)</u>

Total General fund Basis difference	<u>\$ (23,167)</u>
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IV. Detailed notes on all funds

A. Deposits and investments

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

As of December 31, 2019, the City had the following deposits and investments:

Investment type	Maturities	Fair Value
Cash		
FDIC or WPDPC insured deposits		\$ 5,230,298
In-transit items		(197,879)
Held for Agency Fund		(399,966)
Petty cash on hand		<u>2,550</u>
Total Cash		<u>4,635,003</u>
Investments		
Federal Farm Credit Bank	1/13/2020	1,399,762
State Treasurer's investment pool	< 90 days	14,124,821
Amounts held for Agency Fund	< 90 days	<u>(118,320)</u>
Total investments		<u>15,406,264</u>
Total Cash, Cash Equivalents, Investments		<u>\$ 20,041,266</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 2019, the City's investments were either in the Washington State Local Government Investment Pool or held in a custodial safekeeping account with a bank.

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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	\$1,696	\$ -	\$ -	\$ -	\$ 9	\$ -	\$1,705
Accounts	150	14	290	1,381	26	154	2,015
Special Assessments	-	10	-	-	-	-	10
Intergovernmental	199	599	-	126	10	-	934
Long-term notes	-	-	-	-	355	-	355
Net total receivables	<u>\$2,045</u>	<u>\$ 623</u>	<u>\$ 290</u>	<u>\$1,507</u>	<u>\$ 400</u>	<u>\$ 154</u>	<u>\$5,019</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)	\$ 72,614	\$ -
Delinquent Court ordered fines receivable (general fund)	112,890	-
Grants received (arterial street fund)	25,477	-
Special assessments not due yet (arterial street fund)	-	9,774
Prepaid lease (Non-major fund)	-	26,071
Total deferred/unearned revenue for governmental funds	<u>\$ 210,981</u>	<u>\$ 35,845</u>

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C. Capital assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$23,119,699	\$ 16,480	\$ -	\$23,136,179
Construction in progress	<u>1,990,144</u>	<u>2,581,328</u>	<u>579,296</u>	<u>3,992,176</u>
Total capital assets, not being depreciated	<u>25,109,843</u>	<u>2,597,808</u>	<u>579,296</u>	<u>27,128,355</u>
Capital assets, being depreciated:				
Buildings	12,065,913	-	-	12,065,913
Improvements other than buildings	6,738,906	2,206,927	-	8,945,833
Machinery and equipment	2,862,267	118,293	216,051	2,764,509
Infrastructure	<u>44,765,816</u>	<u>569,561</u>	<u>48,148</u>	<u>45,287,229</u>
Total capital assets being depreciated	<u>66,432,902</u>	<u>2,894,781</u>	<u>264,199</u>	<u>69,063,484</u>
Less accumulated depreciation for:				
Buildings	4,940,908	156,579	-	5,097,487
Improvements other than buildings	3,049,578	166,543	-	3,216,121
Machinery and equipment	1,896,250	177,248	209,941	1,863,557
Infrastructure	<u>17,931,659</u>	<u>881,741</u>	<u>48,148</u>	<u>18,765,252</u>
Total accumulated depreciation	<u>27,818,395</u>	<u>1,382,111</u>	<u>258,089</u>	<u>28,942,417</u>
Total capital assets, being depreciated, net	<u>38,614,507</u>	<u>1,512,670</u>	<u>6,110</u>	<u>40,121,067</u>
Governmental activities capital assets, net	<u>\$63,724,350</u>	<u>\$ 4,110,478</u>	<u>\$ 585,406</u>	<u>\$67,249,422</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 28,712	\$ -	\$ -	\$ 28,712
Construction in progress	<u>157,450</u>	<u>19,670</u>	<u>-</u>	<u>177,120</u>
Total capital assets, not being depreciated	<u>186,162</u>	<u>19,670</u>	<u>-</u>	<u>205,832</u>
Capital assets, being depreciated:				
Buildings and structures	15,766,669	305,575	-	16,072,244
Improvements other than buildings	30,668,449	-	-	30,668,449
Machinery and equipment	<u>4,245,484</u>	<u>121,881</u>	<u>119,704</u>	<u>4,247,661</u>
Total capital assets being depreciated	<u>50,680,602</u>	<u>427,456</u>	<u>119,704</u>	<u>50,988,354</u>
Less accumulated depreciation for:				
Buildings and structures	2,871,618	316,577	-	3,188,195
Improvements other than buildings	12,277,933	505,884	-	12,783,817
Machinery and equipment	<u>2,634,331</u>	<u>139,848</u>	<u>119,704</u>	<u>2,654,475</u>
Total accumulated depreciation	<u>17,783,882</u>	<u>962,309</u>	<u>119,704</u>	<u>18,626,487</u>
Total capital assets, being depreciated, net	<u>32,896,720</u>	<u>(534,853)</u>	<u>-</u>	<u>32,361,867</u>
Business-type activities capital assets, net	<u>\$33,082,882</u>	<u>\$ (515,183)</u>	<u>\$ -</u>	<u>\$32,567,699</u>

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

Governmental activities:		
General government		\$ 94,339
Security of persons and property		5,410
Transportation		979,960
Culture and recreation		169,551
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.		<u>132,851</u>
Total depreciation expense – governmental activities		<u>\$1,382,111</u>
Business-type activities:		
Water		\$ 573,798
Sewer		295,040
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>73,531</u>
Total depreciation expense – business-type activities		<u>\$ 962,309</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2019 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor govt.	Arterial Street	\$ 632,000	Roadway Improvements

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor govt.	Arterial Street	193,004	Roadway Improvements

<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Arterial Street	\$ 323,120	Roadway Improvements
General fund	Nonmajor govt.	57,709	Routine operating
Arterial Street fund	Nonmajor govt.	<u>23,200</u>	Debt service
Sub-Total		404,029	
Nonmajor govt.	General Fund	700,000	Park Improvments
	General Fund	60,000	Nuisance abatement
	Nonmajor govt.	409,533	Debt service
	Nonmajor govt.	<u>15,000</u>	Routine operating
Sub-Total		1,184,533	
Total		<u>\$ 1,588,562</u>	

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E. Long-term debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. The debt service on general obligation bonds is paid from debt service funds. Debt service for voter approved issues is funded by special property tax levies. Debt service for City Council authorized or Councilmanic issues are funded from general government revenue sources. The original amount of general obligation bonds issued in prior years was \$5,910,000. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities – City Hall construction	.60% – 3.80%	\$1,595,000
Governmental activities – Roadway improvements	2.00% – 4.00%	<u>2,655,000</u>
		<u>\$4,250,000</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>
2020	\$ 290,000	\$ 145,233
2021	295,000	138,038
2022	305,000	130,698
2023	310,000	122,535
2024	320,000	114,210
2025-2029	1,560,000	402,480
2030-2034	955,000	160,600
2035-2039	<u>215,000</u>	<u>8,600</u>
Total	<u>\$4,250,000</u>	<u>\$1,222,394</u>

The City of Kelso has been awarded three Drinking Water State Revolving Fund Loans (DWSRF) in the amount of \$8,069,850 for the replacement of a reservoir and the addition of a transmission line associated with the reservoir and for the reconstruction of the City's water treatment plant.

Government loans outstanding at year-end are as follows:

<u>Issuance</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
1999 DWSRF – \$2,040,000	Business-type activities	2.50%	\$ 107,914
2001 DWSRF – \$1,500,000	Business-type activities	1.50%	238,777
2016 DWSRF – \$4,529,850	Business-type activities	1.50%	<u>4,061,973</u>
Total government loans			<u>\$4,408,664</u>

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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>
2020	\$ 441,379	\$ 67,209
2021	333,466	59,509
2022	333,466	54,507
2023	253,873	49,506
2024	253,873	45,697
2025-2029	1,269,367	171,365
2030-2034	1,269,367	76,162
2035-2039	<u>253,873</u>	<u>3,808</u>
Total	<u>\$4,408,664</u>	<u>\$ 527,763</u>

Revenue bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Water/Sewer revenue bond covenants require that revenue available for debt service (defined as operating and nonoperating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 to 1. The City remains in compliance with that provision with a current ratio of 5.09 to 1 coverage. See page 135.

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>3,440,000</u>
		<u>\$3,440,000</u>

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Revenue bond debt service requirements to maturity are as follows:

Year ending <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest*</u>
2020	\$ 225,000	\$ 241,135
2021	240,000	228,198
2022	250,000	212,238
2023	255,000	195,613
2024	270,000	178,655
2025-2029	1,510,000	596,930
2030-2034	<u>690,000</u>	<u>76,960</u>
Total	<u>\$3,440,000</u>	<u>\$1,729,729</u>

*Interest is not net of Federal Subsidy

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 4,530,000	\$ -	\$ 280,000	\$ 4,250,000	\$ 290,000
G.O. bond premium	301,807	-	17,753	284,054	-
Compensated absences	440,701	434,660	440,701	434,660	108,665
Net Pension liability	1,029,671	-	408,533	621,138	-
Net OPEB liability	<u>5,875,460</u>	<u>673,878</u>	<u>214,013</u>	<u>6,335,325</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$12,177,639</u>	<u>\$1,108,538</u>	<u>\$ 1,361,000</u>	<u>\$11,925,177</u>	<u>\$ 398,665</u>
Business-type activities:					
Revenue bonds	\$3,665,000	\$ -	\$ 225,000	\$3,440,000	\$ 225,000
Drinking Water State Revolving Fund	4,332,407	517,636	441,379	4,408,664	441,379
Compensated absences	86,083	85,737	86,083	85,737	24,434
Net Pension liability	<u>686,448</u>	<u>-</u>	<u>217,870</u>	<u>468,578</u>	<u>-</u>
Business-type activity Long-term liabilities	<u>\$8,769,938</u>	<u>\$ 603,373</u>	<u>\$ 970,332</u>	<u>\$8,402,979</u>	<u>\$ 690,813</u>

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

V. Other information

A. Risk management

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

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Washington Cities Insurance Authority

The City of Kelso is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 163 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, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical insurance through 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, 2019 was \$425,002. The AWC Trust HCP is responsible for payment of all covered claims. In 2019 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 Commencement Bay Risk Management, and Kaiser ISL at \$1 million 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 the report for fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Unemployment Insurance

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

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2019	\$ 3,682
2018	\$ 8,425
2017	\$ 30,661

B. Property Taxes

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

Property Tax Calendar

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

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

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

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

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.

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The City's regular levy for 2019 was \$1.7642 per \$1,000 on an assessed valuation of \$871,612,563 for a total regular levy of \$1,537,735.

C. Subsequent event

In February, 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, and limiting gathering sizes.

Consistent with the Governors instructions the City of Kelso closed all public buildings to the public and limited operations to essential services only.

The City anticipates a decline in sales tax revenues as well as fuel and business tax revenues which will impact the General Fund. Immediate actions are being taken to reduce expenditures in the General Fund.

The length of time these measures will be in place, and the full extent of the financial impact on the City of Kelso is unknown at this time.

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

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development charges are assessed to new customers. During 2019, The City of Kelso paid TRRWA a total of \$2,934,347. 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 2019 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, 2019, 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 2019:

Aggregate Pension Amounts – All Plans	
OPEB liabilities	\$ (6,335,325)
Deferred outflows of resources	\$ 52,323
OPEB expenditures	\$ 574,603

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, 2019, 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 \$103,483 were recognized for post-retirement health care.

Total OPEB Liability. The City has elected to calculate the total OPEB liability using the alternative measurement method permitted by GASB Statement 75 for employers with plans that have fewer than one hundred total plan members. The City's total OPEB liability of \$6,335,325 was measured as of June 30, 2019, 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, 2019 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 2018 LEOFF 1 Medical Benefits Actuarial Valuation Report published by the Washington State Actuary's Office:

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- **Inflation:** 2.75 percent
- **Discount rate:** 3.87 percent
- **Healthcare cost trend rates:** Initial medical costs rate is approximately 6% and trends down to about 5.1% in the 2020's. Long-term care is 4.5%. Medicare Part B premiums is approximately 5.0%, varies by year.

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

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

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

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 6.0 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 (5.0%) or 1-percentage point higher (7.0%) than the current rate.

	1% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1% Increase (7.0%)
Total OPEB Liability	\$5,648,009	\$6,335,325	\$7,139,681

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	\$7,189,434	\$6,335,325	\$5,622,664

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Change in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2018	<u>\$ 5,875,460</u>
Changes for the year:	
Interest cost	223,278
Changes in Experience Data and Assumptions	450,600
Estimated Benefit payments	<u>(214,013)</u>
Net changes	<u>459,865</u>
Balance at 6/30/2019	<u>\$ 6,335,325</u>

Changes in experience data and assumptions reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019.

Deferred outflows of resources of \$52,323 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, 2020.

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 plan 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 were \$262,494 for 2019.

H. Employee retirement systems and pension plans

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (1,089,716)
Pension assets	\$ 2,368,669
Deferred outflows of resources	\$ 818,128
Deferred inflows of resources	\$ (1,438,848)
Pension expense/expenditures	\$ (62,141)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; State employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three

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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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January – June 2019		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	-
Administrative Fee	.18%	-
Total	12.83%	6.00%
July – December 2019		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	-
Administrative Fee	.18%	-
Total	12.86%	6.00%

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

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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 2019 were as follows:

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Notes to the Financial Statements
December 31, 2019

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
January – June 2019		
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%
July – December 2019		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	-
Administrative Fee	.18%	-
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

The City's actual plan contributions were \$164,182 to PERS Plan 1 and \$256,283 to PERS Plan 2/3 for the year ended December 31, 2019.

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, 2019

employer or employee contributions for fiscal year 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – June 2019		
State and Local Governments	5.25%	8.75%
Administrative Fee	.18%	-
Total	5.43%	8.75%
July – December 2019		
State and Local Governments	5.15%	8.59%
Administrative Fee	.18%	-
Total	5.33%	8.59%

The City's actual contributions to the plan were \$134,931 for the year ended December 31, 2019.

CITY OF KELSO
Notes to the Financial Statements
December 31, 2019

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, 2019 the State contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the City as its proportionate of this amount is \$80,701

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, 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.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a

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one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

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.

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

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	\$ 1,029,144	\$ 821,791	\$ 641,885
PERS 2/3	2,054,876	267,925	(1,198,387)
LEOFF 1	(670,979)	(820,215)	(949,065)
LEOFF 2	(287,923)	(1,548,454)	(2,577,337)

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, 2019, the City reported a total pension liability of \$1,089,716 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 821,791
PERS 2/3	\$ 267,925
LEOFF 1	\$ (820,215)
LEOFF 2	\$(1,548,454)

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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	\$ (820,215)
LEOFF 1 – State's proportionate share of the net pension liability/(asset) associated with the employer	<u>(5,547,911)</u>
TOTAL	<u>\$ (6,368,126)</u>

	<u>Liability (or Asset)</u>
LEOFF 2 – employer's proportionate share	\$ (1,548,454)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	<u>(1,014,030)</u>
TOTAL	<u>\$ (2,562,485)</u>

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

Plan	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	% .025809	% .021371	% -.004438
PERS 2/3	.033002	.027583	-.005419
LEOFF 1	.042411	.041496	-.000915
LEOFF 2	.082534	.066839	-.015695

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 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, 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

CITY OF KELSO
Notes to the Financial Statements
December 31, 2019

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 2019, the State of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the City recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ (154,230)
PERS 2/3	71,838
LEOFF 1	(27,721)
LEOFF 2	<u>47,972</u>
TOTAL	<u>\$ (62,141)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, 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	\$ -	\$ (54,903)
Contributions subsequent to the measurement date	<u>78,936</u>	<u>-</u>
TOTAL PERS Plan 1	<u>\$ 78,936</u>	<u>\$ (54,903)</u>

CITY OF KELSO
Notes to the Financial Statements
December 31, 2019

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,761	\$ (57,602)
Net difference between projected and actual investment earnings on pension plan investments	-	(389,989)
Changes of assumptions	6,861	(112,412)
Changes in proportion and differences between contributions and proportionate share of contributions	138,192	(155,044)
Contributions subsequent to the measurement date	<u>131,321</u>	<u>-</u>
 TOTAL PERS Plan 2	 <u>\$ 353,135</u>	 <u>\$ (715,047)</u>

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (85,032)
 TOTAL LEOFF Plan 1	 <u>\$ -</u>	 <u>\$ (85,032)</u>

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 111,425	\$ (27,845)
Net difference between projected and actual investment earnings on pension plan investments	-	(317,482)
Changes in assumptions	2,551	(174,251)
Changes in proportion and differences between contributions and proportionate share of contributions	205,169	(64,288)
Contributions subsequent to the measurement date	<u>66,912</u>	<u>-</u>
 TOTAL LEOFF Plan 2	 <u>\$ 386,057</u>	 <u>\$ (583,866)</u>

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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF KELSO
Notes to the Financial Statements
December 31, 2019

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2020	\$ (12,120)	\$ (116,924)	\$ (19,750)	\$(73,232)
2021	(28,709)	(196,566)	(43,532)	(149,385)
2022	(10,245)	(85,177)	(15,796)	(57,171)
2023	(3,829)	(43,917)	(5,954)	(23,502)
2024	-	(27,774)	-	1,937
Thereafter	-	(22,875)	-	36,632

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. 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 \$646,815 with the investment portion held in the State investment pool as of December 31, 2019.

A recent actuarial survey has not been done because annual benefits are approximately \$50,000 and the net position held in trust for pension benefits is over \$645,000 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 2019, the City also received on behalf payments from taxes on fire insurance premiums in the amount of \$12,862.

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Required Supplementary Information

City of Kelso Schedule of Employer Contributions Public Employees Retirement System Plan 1 As of December 31, 2019 Last Ten Fiscal Years

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

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, 2019 Last Ten Fiscal Years

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

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, 2019
Last Ten Fiscal Years

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

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, 2019
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>
Employer's proportion of the net pension liability (asset)	0.023210%	0.022776%	0.023545%	0.025809%	0.021371%
Employer's proportionate share of the net pension liability	\$ 1,214,099	\$ 1,223,179	\$ 1,117,229	\$ 1,152,639	\$ 821,791
Employer's covered payroll	\$ 2,609,568	\$ 2,691,098	\$ 2,986,773	\$ 3,190,174	\$ 3,276,484
Employer's proportionate share of the net pension liability as a percentage of covered payroll	46.52%	45.45%	37.41%	36.13%	25.08%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%

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, 2019
Last Ten Fiscal Years

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

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, 2019
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>
Employer's proportion of the net pension liability (asset)	0.042208%	0.042555%	0.041694%	0.042411%	0.041496%
Employer's proportionate share of the net pension liability (asset)	\$ (508,700)	\$ (438,438)	\$ (632,590)	\$ (769,973)	\$ (820,215)
State's proportionate share of the net pension liability (asset) associated with the employer**	\$ -	\$ -	\$ -	\$ (5,208,075)	\$ (5,547,911)
Employer's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.36%	123.74%	135.96%	144.42%	148.78%

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, 2019
Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2015*</u>	<u>Fiscal Year</u> <u>2016</u>	<u>Fiscal Year</u> <u>2017</u>	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>
Employer's proportion of the net pension liability (asset)	0.072194%	0.075802%	0.077629%	0.082534%	0.066839%
Employer's proportionate share of the net pension liability (asset)	\$ (742,010)	\$ (440,887)	\$ (1,077,239)	\$ (1,675,620)	\$ (1,548,454)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (490,624)	\$ (287,426)	\$ (698,785)	\$ (1,084,932)	\$ (1,014,030)
Employer's covered payroll	\$ 2,120,860	\$ 2,294,917	\$ 2,439,577	\$ 2,503,122	\$ 2,495,368
Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	34.99%	19.21%	44.16%	66.94%	62.05%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.67%	106.04%	113.36%	118.50%	119.43%

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, 2019 Last Ten Fiscal Years

	<u>Fiscal Year</u> <u>2018</u>	<u>Fiscal Year</u> <u>2019</u>
Total OPEB liability		
Interest	\$ 213,947	\$ 223,278
Changes in experience data and assumptions	(187,842)	450,600
Estimated benefit payments	<u>(251,437)</u>	<u>(214,013)</u>
Net change in total OPEB liability	(225,332)	459,865
Total OPEB liability - beginning	<u>6,100,792</u>	<u>5,875,460</u>
Net OPEB liability - Ending	<u>\$ 5,875,460</u>	<u>\$ 6,335,325</u>
Covered employee payroll	<u>\$ -</u>	<u>\$ -</u>
Total OPEB liability, as a percentage of covered employee payroll	N/A	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, 2019

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 3.87 percent in 2018 to 3.50 percent in 2019.

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, 2019

	Special Revenue					
	Paths/ Trails	Stadium	Highlander Festival	HUD Block Grant	Criminal Justice	Transportation Benefit District
Assets						
Cash & cash equivalents	\$ 4,382	\$ 130,215	\$ 11,565	\$ 402,660	\$ 71,074	\$ 63,506
Investments	-	-	-	-	-	-
Receivables (net)						
Accounts	-	20,224	-	5,758	249	-
Assessments/taxes	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	9,690	-
Advances to other funds	-	-	-	-	-	-
Long-term notes receivable	-	-	-	355,069	-	-
Total Assets	<u>4,382</u>	<u>150,439</u>	<u>11,565</u>	<u>763,487</u>	<u>81,013</u>	<u>63,506</u>
Liabilities						
Accounts payable	-	7,840	1,922	-	2,945	-
Unearned revenue	-	26,071	-	-	-	-
Total Liabilities	<u>-</u>	<u>33,911</u>	<u>1,922</u>	<u>-</u>	<u>2,945</u>	<u>-</u>
Fund Balances						
Restricted for:						
Paths and trails	4,382	-	-	-	-	-
Promotion of tourism	-	83,607	-	-	-	-
Housing/neighborhood rehabilitation	-	-	-	273,906	-	-
Street maintenance/construction	-	-	-	-	-	63,506
Capital projects	-	-	-	-	-	-
Assigned to:						
Debt service	-	-	-	-	-	-
Other purposes	-	32,921	9,643	489,581	78,068	-
Total Fund Balance	<u>4,382</u>	<u>116,528</u>	<u>9,643</u>	<u>763,487</u>	<u>78,068</u>	<u>63,506</u>
Total Liabilities and Fund Balances	<u>\$ 4,382</u>	<u>\$ 150,439</u>	<u>\$ 11,565</u>	<u>\$ 763,487</u>	<u>\$ 81,013</u>	<u>\$ 63,506</u>

City of Kelso
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	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	\$ 683,402	\$ 548,613	\$ 307,254	\$ 1,539,269
Investments	-	797,864	-	797,864
Receivables (net)				
Accounts	26,231	-	-	26,231
Assessments/taxes	-	-	9,165	9,165
Due from other funds	-	632,000	-	632,000
Due from other governments	9,690	-	-	9,690
Advances to other funds	-	193,004	-	193,004
Long-term notes receivable	355,069	-	-	355,069
Total Assets	<u>1,074,392</u>	<u>2,171,481</u>	<u>316,419</u>	<u>3,562,292</u>
Liabilities				
Accounts payable	12,707	-	-	12,707
Unearned revenue	26,071	-	-	26,071
Total Liabilities	<u>38,778</u>	<u>-</u>	<u>-</u>	<u>38,778</u>
Fund Balances				
Restricted for:				
Paths and trails	4,382	-	-	4,382
Promotion of tourism	83,607	-	-	83,607
Housing/neighborhood rehabilitation	273,906	-	-	273,906
Street maintenance/construction	63,506	-	-	63,506
Capital projects	-	-	316,419	316,419
Assigned to:				
Debt service	-	2,171,481	-	2,171,481
Other purposes	610,213	-	-	610,213
Total Fund Balance	<u>1,035,614</u>	<u>2,171,481</u>	<u>316,419</u>	<u>3,523,514</u>
Total Liabilities and Fund Balances	<u>\$ 1,074,392</u>	<u>\$ 2,171,481</u>	<u>\$ 316,419</u>	<u>\$ 3,562,292</u>

City of Kelso
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended December 31, 2019

	Special Revenue					
	Paths and Trails	Stadium	Highlander Festival	Hud Block Grant	Criminal Justice	Transportation Benefit District
Revenues						
Taxes	\$ -	\$ 177,955	\$ -	\$ -	\$ -	\$ 203,346
Intergovernmental	1,274	-	-	-	203,109	-
Charges for services	-	-	7,411	-	-	-
Fines	-	-	-	-	416	-
Investment earnings	6	1,970	-	6,765	605	-
Rental/lease income	-	10,920	-	-	-	-
Miscellaneous	-	99	16,408	-	-	-
Total revenues	<u>1,280</u>	<u>190,944</u>	<u>23,819</u>	<u>6,765</u>	<u>204,130</u>	<u>203,346</u>
Expenditures						
Security of persons and property	-	-	-	-	258,004	-
Culture and recreation	-	84,980	36,676	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>84,980</u>	<u>36,676</u>	<u>-</u>	<u>258,004</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,280</u>	<u>105,964</u>	<u>(12,857)</u>	<u>6,765</u>	<u>(53,874)</u>	<u>203,346</u>
Other financing sources (uses)						
Transfers in	-	-	15,000	-	57,709	-
Transfers out	-	(115,000)	-	(60,000)	-	(200,000)
Total other financing sources (uses)	<u>-</u>	<u>(115,000)</u>	<u>15,000</u>	<u>(60,000)</u>	<u>57,709</u>	<u>(200,000)</u>
Net change in fund balances	1,280	(9,036)	2,143	(53,235)	3,835	3,346
Fund balances - beginning	3,102	125,564	7,500	816,722	74,233	60,160
Fund balances - ending	<u>\$ 4,382</u>	<u>\$ 116,528</u>	<u>\$ 9,643</u>	<u>\$ 763,487</u>	<u>\$ 78,068</u>	<u>\$ 63,506</u>

City of Kelso
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended December 31, 2019

	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	\$ 381,301	\$ -	\$ 179,223	\$ 560,524
Intergovernmental	204,383	-	-	204,383
Charges for services	7,411	-	-	7,411
Fines	416	-	-	416
Investment earnings	9,346	46,146	4,901	60,393
Rental/lease income	10,920	-	-	10,920
Miscellaneous	16,507	54,462	-	70,969
Total revenues	<u>630,284</u>	<u>100,608</u>	<u>184,124</u>	<u>915,016</u>
Expenditures				
Security of persons and property	258,004	-	-	258,004
Culture and recreation	121,656	-	-	121,656
Debt service:				
Principal	-	280,000	-	280,000
Interest and fiscal charges	-	153,633	-	153,633
Total expenditures	<u>379,660</u>	<u>433,633</u>	<u>-</u>	<u>813,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>250,624</u>	<u>(333,025)</u>	<u>184,124</u>	<u>101,723</u>
Other financing sources (uses)				
Transfers in	72,709	432,733	-	505,442
Transfers out	(375,000)	(600,000)	(209,533)	(1,184,533)
Total other financing sources (uses)	<u>(302,291)</u>	<u>(167,267)</u>	<u>(209,533)</u>	<u>(679,091)</u>
Net change in fund balances	(51,667)	(500,292)	(25,409)	(577,368)
Fund balances - beginning	1,087,281	2,671,773	341,828	4,100,882
Fund balances - ending	<u>\$ 1,035,614</u>	<u>\$ 2,171,481</u>	<u>\$ 316,419</u>	<u>\$ 3,523,514</u>

City of Kelso
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 444,840	\$ 444,840	\$ 444,840	\$ -
Intergovernmental	275,000	275,000	271,485	(3,515)
Charges for services	20,000	20,000	7,339	(12,661)
Investment earnings	7,500	7,500	14,699	7,199
Rental/lease income	21,000	21,000	20,904	(96)
Miscellaneous	10,000	10,000	10,633	633
Total revenues	<u>778,340</u>	<u>778,340</u>	<u>769,900</u>	<u>(8,440)</u>
Expenditures				
Transportation	<u>868,340</u>	<u>868,340</u>	<u>799,111</u>	<u>69,229</u>
Total expenditures	<u>868,340</u>	<u>868,340</u>	<u>799,111</u>	<u>69,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,000)</u>	<u>(90,000)</u>	<u>(29,211)</u>	<u>60,789</u>
Net change in fund balances	(90,000)	(90,000)	(29,211)	60,789
Fund balances - beginning	<u>567,382</u>	<u>567,382</u>	<u>567,382</u>	<u>-</u>
Fund balances - ending	<u>\$ 477,382</u>	<u>\$ 477,382</u>	<u>\$ 538,171</u>	<u>\$ 60,789</u>

City of Kelso
Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2019

	<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				
Taxes	\$ 578,092	\$ 578,092	\$ 578,092	\$ -
Charges for services	9,200	9,200	9,221	21
Fines	4,200	4,200	2,303	(1,897)
Investment earnings	1,000	1,000	805	(195)
Miscellaneous	-	-	121	121
Total revenues	<u>592,492</u>	<u>592,492</u>	<u>590,542</u>	<u>(1,950)</u>
Expenditures				
Culture and recreation	<u>597,380</u>	<u>597,380</u>	<u>548,441</u>	<u>48,939</u>
Total expenditures	<u>597,380</u>	<u>597,380</u>	<u>548,441</u>	<u>48,939</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,888)</u>	<u>(4,888)</u>	<u>42,101</u>	<u>46,989</u>
Net change in fund balances	<u>(4,888)</u>	<u>(4,888)</u>	<u>42,101</u>	<u>46,989</u>
Fund balances - beginning	<u>91,508</u>	<u>91,508</u>	<u>91,508</u>	<u>-</u>
Fund balances - ending	<u>\$ 86,620</u>	<u>\$ 86,620</u>	<u>\$ 133,609</u>	<u>\$ 46,989</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, 2019

	<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	\$ 200	\$ 200	\$ 296	\$ 96
Rental/lease income	31,100	31,100	25,627	(5,473)
Miscellaneous	100	100	156	56
Total revenues	<u>31,400</u>	<u>31,400</u>	<u>26,079</u>	<u>(5,321)</u>
Expenditures				
Transportation	<u>59,260</u>	<u>59,260</u>	<u>57,018</u>	<u>2,242</u>
Total expenditures	<u>59,260</u>	<u>59,260</u>	<u>57,018</u>	<u>2,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,860)</u>	<u>(27,860)</u>	<u>(30,939)</u>	<u>(3,079)</u>
Other financing sources (uses)				
Transfers in	<u>27,860</u>	<u>27,860</u>	<u>27,860</u>	<u>-</u>
Total other financing sources (uses)	<u>27,860</u>	<u>27,860</u>	<u>27,860</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(3,079)</u>	<u>(3,079)</u>
Fund balances - beginning	<u>23,220</u>	<u>23,220</u>	<u>23,220</u>	<u>-</u>
Fund balances - ending	<u>\$ 23,220</u>	<u>\$ 23,220</u>	<u>\$ 20,141</u>	<u>\$ (3,079)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 303,795	\$ 603,795	\$ 603,795	\$ -
Intergovernmental	800,000	800,000	743,044	(56,956)
Charges for services	24,000	24,000	5,763	(18,237)
Investment earnings	400	400	2	(398)
Rental/lease income	47,300	47,300	46,557	(743)
Miscellaneous	22,000	22,000	15,266	(6,734)
Total revenues	<u>1,197,495</u>	<u>1,497,495</u>	<u>1,414,427</u>	<u>(83,068)</u>
Expenditures				
Culture and recreation	363,395	363,395	384,839	(21,444)
Capital outlay	<u>1,525,000</u>	<u>2,025,000</u>	<u>1,977,576</u>	<u>47,424</u>
Total expenditures	<u>1,888,395</u>	<u>2,388,395</u>	<u>2,362,415</u>	<u>25,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(690,900)</u>	<u>(890,900)</u>	<u>(947,988)</u>	<u>(57,088)</u>
Other financing sources (uses)				
Transfers in	700,000	900,000	915,000	15,000
Total other financing sources (uses)	<u>700,000</u>	<u>900,000</u>	<u>915,000</u>	<u>15,000</u>
Net change in fund balances	9,100	9,100	(32,988)	(42,088)
Fund balances - beginning	<u>34,839</u>	<u>34,839</u>	<u>34,839</u>	<u>-</u>
Fund balances - ending	<u>\$ 43,939</u>	<u>\$ 43,939</u>	<u>\$ 1,851</u>	<u>\$ (42,088)</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, 2019

	<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	\$ -	\$ -	\$ 10	\$ 10
Total revenues	-	-	10	10
Expenditures				
Economic Environment	35,000	35,000	-	\$ 35,000
Total expenditures	35,000	35,000	-	35,000
Excess (deficiency) of revenues over (under) expenditures	(35,000)	(35,000)	10	35,010
Other financing sources (uses)				
Transfers in	35,000	35,000	-	(35,000)
Total other financing sources (uses)	35,000	35,000	-	(35,000)
Net change in fund balances	-	-	10	10
Fund balances - beginning	460	460	460	-
Fund balances - ending	\$ 460	\$ 460	\$ 470	\$ 10

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, 2019

	<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				
Intergovernmental	\$ 1,300	\$ 1,300	\$ 1,274	\$ (26)
Investment earnings	5	5	6	1
Total revenues	<u>1,305</u>	<u>1,305</u>	<u>1,280</u>	<u>(25)</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>1,305</u>	<u>1,305</u>	<u>1,280</u>	<u>(25)</u>
Net change in fund balances	<u>1,305</u>	<u>1,305</u>	<u>1,280</u>	<u>(25)</u>
Fund balances - beginning	<u>3,102</u>	<u>3,102</u>	<u>3,102</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 4,407</u></u>	<u><u>\$ 4,407</u></u>	<u><u>\$ 4,382</u></u>	<u><u>\$ (25)</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, 2019

	<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	\$ 185,000	\$ 185,000	\$ 177,955	\$ (7,045)
Investment earnings	2,500	2,500	1,970	(530)
Rental/lease income	10,920	10,920	10,920	-
Miscellaneous	100	100	99	(1)
Total revenues	<u>198,520</u>	<u>198,520</u>	<u>190,944</u>	<u>(7,576)</u>
Expenditures				
Culture and recreation	<u>68,000</u>	<u>100,000</u>	<u>84,980</u>	<u>15,020</u>
Total expenditures	<u>68,000</u>	<u>100,000</u>	<u>84,980</u>	<u>15,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>130,520</u>	<u>98,520</u>	<u>105,964</u>	<u>7,444</u>
Other financing sources (uses)				
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(115,000)</u>	<u>5,000</u>
Total other financing sources (uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(115,000)</u>	<u>5,000</u>
Net change in fund balances	<u>10,520</u>	<u>(21,480)</u>	<u>(9,036)</u>	<u>12,444</u>
Fund balances - beginning	<u>125,564</u>	<u>125,564</u>	<u>125,564</u>	<u>-</u>
Fund balances - ending	<u>\$ 136,084</u>	<u>\$ 104,084</u>	<u>\$ 116,528</u>	<u>\$ 12,444</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, 2019

	<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	\$ 7,411	\$ 611
Miscellaneous	15,600	15,600	16,408	808
Total revenues	<u>22,400</u>	<u>22,400</u>	<u>23,819</u>	<u>1,419</u>
Expenditures				
Culture and recreation	<u>39,500</u>	<u>39,500</u>	<u>36,676</u>	<u>2,824</u>
Total expenditures	<u>39,500</u>	<u>39,500</u>	<u>36,676</u>	<u>2,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,100)</u>	<u>(17,100)</u>	<u>(12,857)</u>	<u>4,243</u>
Other financing sources (uses)				
Transfers in	<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>2,900</u>	<u>2,900</u>	<u>2,143</u>	<u>(757)</u>
Fund balances - beginning	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 10,400</u></u>	<u><u>\$ 10,400</u></u>	<u><u>\$ 9,643</u></u>	<u><u>\$ (757)</u></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, 2019

	<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	\$ 5,500	\$ 5,500	\$ 6,765	\$ 1,265
Total revenues	<u>5,500</u>	<u>5,500</u>	<u>6,765</u>	<u>1,265</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,500</u>	<u>5,500</u>	<u>6,765</u>	<u>1,265</u>
Other financing sources (uses)				
Transfers out	<u>(95,000)</u>	<u>(95,000)</u>	<u>(60,000)</u>	<u>35,000</u>
Total other financing sources (uses)	<u>(95,000)</u>	<u>(95,000)</u>	<u>(60,000)</u>	<u>35,000</u>
Net change in fund balances	<u>(89,500)</u>	<u>(89,500)</u>	<u>(53,235)</u>	<u>36,265</u>
Fund balances - beginning	<u>816,722</u>	<u>816,722</u>	<u>816,722</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 727,222</u></u>	<u><u>\$ 727,222</u></u>	<u><u>\$ 763,487</u></u>	<u><u>\$ 36,265</u></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, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
Revenues				
Intergovernmental	\$ 186,000	\$ 186,000	\$ 203,109	\$ 17,109
Fines	1,000	1,000	416	(584)
Investment earnings	1,400	1,400	605	(795)
Total revenues	<u>188,400</u>	<u>188,400</u>	<u>204,130</u>	<u>15,730</u>
Expenditures				
Security of persons and property	<u>265,345</u>	<u>265,345</u>	<u>258,004</u>	<u>7,341</u>
Total expenditures	<u>265,345</u>	<u>265,345</u>	<u>258,004</u>	<u>7,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,945)</u>	<u>(76,945)</u>	<u>(53,874)</u>	<u>23,071</u>
Other financing sources (uses)				
Transfers in	<u>76,945</u>	<u>76,945</u>	<u>57,709</u>	<u>(19,236)</u>
Total other financing sources (uses)	<u>76,945</u>	<u>76,945</u>	<u>57,709</u>	<u>(19,236)</u>
Net change in fund balances	-	-	3,835	3,835
Fund balances - beginning	<u>74,233</u>	<u>74,233</u>	<u>74,233</u>	-
Fund balances - ending	<u>\$ 74,233</u>	<u>\$ 74,233</u>	<u>\$ 78,068</u>	<u>\$ 3,835</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, 2019

	<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				
Taxes	\$ 190,000	\$ 190,000	\$ 203,346	\$ 13,346
Total revenues	<u>190,000</u>	<u>190,000</u>	<u>203,346</u>	<u>13,346</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>190,000</u>	 <u>190,000</u>	 <u>203,346</u>	 <u>13,346</u>
Net change in fund balances	<u>190,000</u>	<u>190,000</u>	<u>203,346</u>	<u>13,346</u>
 Other financing sources (uses)				
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balances	<u>(10,000)</u>	<u>(10,000)</u>	<u>3,346</u>	<u>13,346</u>
 Fund balances - beginning	 <u>60,160</u>	 <u>60,160</u>	 <u>60,160</u>	 <u>-</u>
Fund balances - ending	<u>\$ 50,160</u>	<u>\$ 50,160</u>	<u>\$ 63,506</u>	<u>\$ 13,346</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, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Investment earnings	\$ 30,000	\$ 30,000	\$ 46,146	\$ 16,146
Miscellaneous	5,330	5,330	54,462	49,132
Total revenues	<u>35,330</u>	<u>35,330</u>	<u>100,608</u>	<u>65,278</u>
Expenditures				
Debt service:				
Principal	280,000	280,000	280,000	-
Interest	153,733	153,733	153,633	100
Total expenditures	<u>433,733</u>	<u>433,733</u>	<u>433,633</u>	<u>100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(398,403)</u>	<u>(398,403)</u>	<u>(333,025)</u>	<u>65,378</u>
Other financing sources (uses)				
Transfers in	432,733	432,733	432,733	-
Transfers out	(600,000)	(600,000)	(600,000)	-
Total other financing sources (uses)	<u>(167,267)</u>	<u>(167,267)</u>	<u>(167,267)</u>	<u>-</u>
Net change in fund balances	(565,670)	(565,670)	(500,292)	65,378
Fund balances - beginning	2,671,773	2,671,773	2,671,773	-
Fund balances - ending	<u>\$ 2,106,103</u>	<u>\$ 2,106,103</u>	<u>\$ 2,171,481</u>	<u>\$ 65,378</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, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
Revenues				
Taxes	\$ 100,000	\$ 100,000	\$ 179,223	\$ 79,223
Investment earnings	1,500	1,500	4,901	3,401
Total revenues	<u>101,500</u>	<u>101,500</u>	<u>184,124</u>	<u>82,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>101,500</u>	<u>101,500</u>	<u>184,124</u>	<u>82,624</u>
Other financing sources (uses)				
Transfers out	<u>(209,533)</u>	<u>(209,533)</u>	<u>(209,533)</u>	<u>-</u>
Total other financing sources (uses)	<u>(209,533)</u>	<u>(209,533)</u>	<u>(209,533)</u>	<u>-</u>
Net change in fund balances	<u>(108,033)</u>	<u>(108,033)</u>	<u>(25,409)</u>	<u>82,624</u>
Fund balances - beginning	<u>341,828</u>	<u>341,828</u>	<u>341,828</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 233,795</u></u>	<u><u>\$ 233,795</u></u>	<u><u>\$ 316,419</u></u>	<u><u>\$ 82,624</u></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, 2019

	<u>Balance</u> <u>December 31, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2019</u>
Assets				
Cash & cash equivalents	\$ 584,426	\$ 1,759,578	\$ 1,825,718	\$ 518,286
Receivables	27,186	558,302	513,035	72,453
Total Assets	<u>\$ 611,612</u>	<u>\$ 2,317,880</u>	<u>\$ 2,338,753</u>	<u>\$ 590,739</u>
Liabilities				
Accounts payable	\$ 58,607	\$ 1,427,906	\$ 1,310,344	\$ 176,169
Due to other governments	150,000	-	-	150,000
Custodial accounts	403,005	889,974	1,028,409	264,570
Total Liabilities	<u>\$ 611,612</u>	<u>\$ 2,317,880</u>	<u>\$ 2,338,753</u>	<u>\$ 590,739</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 48,034	\$ 47,753	\$ 48,199	\$ 54,754	\$ 57,203	\$ 56,455	\$ 56,985	\$ 56,850	\$ 59,025	\$ 62,845
Restricted	1,302	1,349	1,442	1,491	1,616	1,664	1,085	1,115	2,834	3,182
Unrestricted	2,801	2,936	4,494	4,342	4,481	4,680	5,496	6,086	2,850	2,688
Total governmental activities net position	<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>	<u>\$ 68,715</u>
Business-type activities										
Net investment in capital assets	\$ 20,893	\$ 20,809	\$ 21,989	\$ 19,683	\$ 20,307	\$ 21,087	\$ 22,337	\$ 24,876	\$ 25,677	\$ 25,199
Restricted	591	592	593	595	597	603	478	479	478	366
Unrestricted	5,119	6,216	7,128	7,219	7,957	7,224	8,626	8,201	8,418	10,363
Total business-type activities net position	<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>\$ 34,573</u>	<u>\$ 35,928</u>
Primary government										
Net investment in capital assets	\$ 68,927	\$ 68,562	\$ 70,188	\$ 74,437	\$ 77,510	\$ 77,542	\$ 79,322	\$ 81,726	\$ 84,702	\$ 88,044
Restricted	1,893	1,941	2,035	2,086	2,213	2,267	1,563	1,594	3,312	3,548
Unrestricted	7,920	9,152	11,622	11,561	12,438	11,904	14,122	14,287	11,268	13,051
Total primary government net position	<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>\$ 99,282</u>	<u>\$ 104,643</u>

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

Expenses	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government	\$ 1,942	\$ 1,875	\$ 1,743	\$ 1,776	\$ 1,916	\$ 1,963	\$ 2,201	\$ 2,355	\$ 2,331	\$ 2,255
Security of persons and property	5,031	4,543	4,533	4,562	4,609	4,608	5,134	5,392	4,661	5,505
Transportation	1,783	1,703	1,722	2,180	2,323	2,654	3,322	4,287	2,489	3,100
Economic environment	695	396	590	754	308	374	325	343	302	407
Culture and recreation	1,091	1,054	1,066	985	1,121	1,107	1,087	1,161	1,228	1,185
Interest on long-term debt	140	173	117	114	122	109	179	156	149	144
Total governmental activities expenses	10,682	9,744	9,771	10,371	10,399	10,815	12,248	13,694	11,160	12,596
Business-type activities:										
Water/Sewer	6,634	6,578	6,610	7,079	7,186	7,645	7,672	8,008	8,836	8,790
Solid waste	1,247	1,235	1,294	1,317	1,457	1,481	1,549	1,575	1,675	1,729
Storm water	456	580	571	547	556	715	609	665	678	717
Airport	357	380	422	-	-	-	-	-	-	-
Total business-type activities expenses	8,694	8,773	8,897	8,943	9,199	9,841	9,830	10,248	11,189	11,236
Total primary government expenses	<u>\$ 19,376</u>	<u>\$ 18,517</u>	<u>\$ 18,668</u>	<u>\$ 19,314</u>	<u>\$ 19,598</u>	<u>\$ 20,656</u>	<u>\$ 22,078</u>	<u>\$ 23,942</u>	<u>\$ 22,349</u>	<u>\$ 23,832</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 110	\$ 108	\$ 97	\$ 226	\$ 108	\$ 153	\$ 156	\$ 188	\$ 175	\$ 278
Security of persons and property	185	233	192	151	360	279	306	375	268	400
Transportation	191	210	231	298	532	655	599	577	412	416
Economic environment	119	127	127	147	163	76	160	145	156	371
Culture and recreation	76	104	100	80	140	94	99	99	97	115
Operating grants and contributions	691	624	894	848	172	317	192	261	514	787
Capital grants and contributions	867	822	1,455	4,895	3,525	663	1,460	601	2,584	3,356
Total governmental activities program revenues	2,239	2,228	3,096	6,645	5,000	2,237	2,972	2,246	4,206	5,723
Business-type activities:										
Charges for services:										
Water/Sewer	7,320	7,635	7,621	7,883	8,358	8,868	9,035	9,038	9,377	9,655
Solid waste	1,131	1,142	1,145	1,194	1,382	1,427	1,517	1,596	1,642	1,708
Storm water	559	623	579	591	623	714	762	803	844	878
Airport	131	138	126	-	-	-	-	-	-	-
Operating grants and contributions	129	238	193	19	75	7	25	44	6	152
Capital grants and contributions	10	-	457	2	112	-	1,144	165	146	-
Total business-type activities program revenues	9,280	9,776	10,121	9,689	10,550	11,016	12,483	11,646	12,015	12,393
Total primary government program revenues	<u>\$ 11,519</u>	<u>\$ 12,004</u>	<u>\$ 13,217</u>	<u>\$ 16,334</u>	<u>\$ 15,550</u>	<u>\$ 13,253</u>	<u>\$ 15,455</u>	<u>\$ 13,892</u>	<u>\$ 16,221</u>	<u>\$ 18,116</u>

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expense)/revenue										
Governmental activities	\$ (8,443)	\$ (7,516)	\$ (6,675)	\$ (3,726)	\$ (5,399)	\$ (8,578)	\$ (9,276)	\$ (11,448)	\$ (6,954)	\$ (6,873)
Business-type activities	586	1,003	1,224	746	1,351	1,175	2,653	1,398	826	1,157
Total primary government net expense	<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>	<u>\$ (5,716)</u>
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 1,139	\$ 1,159	\$ 1,175	\$ 1,191	\$ 1,206	\$ 1,243	\$ 1,280	\$ 1,300	\$ 1,506	\$ 1,530
Sales taxes	2,150	2,154	2,103	2,141	2,410	2,546	2,899	2,883	2,932	3,234
Utility taxes	2,542	2,611	2,827	2,748	2,809	3,099	3,265	3,320	3,358	3,366
Business taxes	671	713	755	772	821	875	944	945	986	1,009
Excise taxes	117	111	86	79	107	157	188	263	450	411
Penalties & interest	5	4	5	3	5	4	6	5	9	-
State entitlements	640	572	573	692	624	653	763	804	978	1,041
Investment earnings	50	68	64	29	37	55	51	93	142	189
Miscellaneous	12	21	26	66	93	68	631	286	75	101
Gain/(loss) on sale of capital assets	-	-	-	-	-	1	-	135	186	(2)
Special items	-	-	-	2,513	-	-	-	-	-	-
Transfers	(20)	4	(40)	(56)	-	-	17	-	(44)	-
Total governmental activities	<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>	<u>10,879</u>
Business-type activities:										
Investment earnings	15	15	11	11	13	18	23	70	148	198
Miscellaneous	20	-	-	-	-	4	1	-	-	-
Gain/(loss) on sale of capital assets	-	-	-	-	-	-	-	(264)	-	-
Special items	-	-	-	(3,026)	-	-	-	-	-	-
Transfers	20	(4)	40	56	-	-	(17)	-	44	-
Total business-type activities	<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>	<u>198</u>
Total primary government	<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>	<u>\$ 11,077</u>
Change in Net Position										
Governmental activities	\$ (1,137)	\$ (99)	\$ 899	\$ 6,452	\$ 2,713	\$ 123	\$ 768	\$ (1,414)	\$ 3,624	\$ 4,006
Business-type activities	641	1,014	1,275	(2,213)	1,364	1,197	2,660	1,204	1,018	1,355
Total primary government	<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>	<u>\$ 5,361</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
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
2019	1,530	3,234	3,366	1,008	411

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund (Per GASB 54)*										
Nonspendable	\$ -	\$ 55	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	54	93	171	100	92	118	119	103	354
Committed	-	178	213	242	-	-	-	-	-	-
Assigned	-	202	-	-	212	242	277	312	323	330
Unassigned	-	1,197	3,063	3,097	3,828	4,564	5,285	5,482	6,111	6,344
General fund (Prior to GASB 54)*										
Reserved	155	-	-	-	-	-	-	-	-	-
Unreserved	1,022	-	-	-	-	-	-	-	-	-
Total general fund	<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>	<u>\$ 7,028</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	742
Assigned	-	1,078	1,215	1,350	2,032	2,105	2,607	2,867	3,445	2,924
Unassigned	-	(744)	(504)	(1,227)	(304)	(428)	(231)	(84)	-	-
All other governmental funds (Prior to GASB 54)*										
Reserved	155	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	379	-	-	-	-	-	-	-	-	-
Debt service funds	1,597	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 3,666</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 6,607	\$ 6,745	\$ 6,955	\$ 6,940	\$ 7,361	\$ 7,928	\$ 8,655	\$ 8,859	\$ 9,254	\$ 9,544
Licenses and permits	138	200	195	212	203	131	174	191	169	284
Intergovernmental	2,199	1,653	3,066	5,415	5,588	1,361	2,739	1,121	3,872	5,197
Charges for services	988	824	879	963	1,008	1,268	1,311	1,141	1,246	1,375
Fines	164	190	140	130	119	106	98	105	138	169
Investment earnings	49	69	64	29	37	55	53	96	144	189
Contributions	1	-	-	-	-	55	65	35	4	23
Rental/lease income	53	61	86	90	104	105	112	118	113	106
Miscellaneous	37	36	38	78	110	84	655	257	83	115
Total revenues	10,236	9,778	11,423	13,857	14,530	11,093	13,862	11,923	15,023	17,002
Expenditures										
General government	2,459	2,274	2,190	2,153	2,169	2,390	2,712	2,984	3,070	3,086
Security of persons and property	4,700	4,299	4,297	4,340	4,271	4,386	4,808	5,114	5,120	5,205
Transportation	605	495	479	742	851	928	1,589	3,186	1,492	2,091
Economic environment	709	398	585	752	313	381	317	345	310	429
Culture and recreation	758	774	781	709	842	827	885	1,033	1,087	1,058
Capital outlay	2,005	1,355	1,999	5,497	3,883	1,192	2,926	1,183	3,098	4,823
Debt service										
Principal	128	133	148	158	317	140	305	270	270	280
Interest	138	224	111	108	101	86	185	171	164	159
Total expenditures	11,502	9,952	10,590	14,459	12,747	10,330	13,727	14,286	14,611	17,131
Excess of revenues over (under) expenditures	(1,266)	(174)	833	(602)	1,783	763	135	(2,363)	412	(129)

Other financing sources (uses)

Transfers in	258	489	497	573	579	543	1,517	1,146	962	1,589
Transfers out	(278)	(485)	(537)	(628)	(579)	(543)	(1,500)	(1,146)	(1,006)	(1,589)
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)	54	(40)	(55)	-	-	3,572	189	215	-
Net change in fund balances	<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>	<u>\$ (129)</u>
Debt service as a percentage of noncapital expenditures*	2.80%	4.15%	3.01%	2.97%	4.72%	2.47%	4.54%	3.37%	3.77%	3.57%

* 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
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
2019	1,525	3,234	3,366	1,008	411	9,544

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

Fiscal Year	Residential Property¹	Non- Residential Property¹	State Assessed Property¹	Personal Property¹	Real Property		Direct Tax Rate	Ratio of Assessed Value To Estimated Actual Value²
					Total Assessed Value¹	Estimated Value		
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%
2019	562,888	210,756	31,988	65,981	871,613	947,405	1.7642%	92.0%

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

² Department of Revenue - Property Tax Division

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

Fiscal Year	City Regular	Total City	School District	Port of Longview	Cowlitz County	State of Washington	Cowlitz 2 Fire District	Total
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
2019	1.7642	1.7642	4.4178	0.2394	1.7337	2.5970	1.5351	12.2872

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

City of Kelso
Principal Property Taxpayers
December 31, 2019
(amounts expressed in thousands)

	2019			2010		
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Rank	Assessed Valuation	Percentage of Total Assessed Valuation
Taxpayer						
Foster Farms Poultry	1	\$ 34,354	3.53%	1	\$ 32,702	4.34%
Three Rivers Mall LLC	3	22,827	2.35%	2	21,584	2.86%
Burlington Northern Santa Fe	2	15,247	1.57%	10	6,972	0.93%
Mario Segale	4	14,664	1.51%	3	14,952	1.98%
C & C Logging	5	14,493	1.49%	9	6,990	0.93%
JMK Limited Partnership	6	10,401	1.07%			
Terry Morgan Trust	7	10,251	1.05%			
Brookhollow Partners LP	8	9,798	1.01%	11	6,833	0.91%
Summerwind Properties LLC	9	9,325	0.96%			
ALS Group USA	10	7,803	0.80%			
Riverway SPE LLC	11	7,060	0.73%	14	6,777	0.90%
Dayton Hudson	12	6,206	0.64%	7	7,394	0.98%
Storedahl	13	6,141	0.63%	8	7,197	0.96%
SW Paper Inc.	14	6,102	0.63%	6	7,642	1.01%
R/M Olson Properties				12	6,826	0.91%
CAS Holdings Inc.				13	6,781	0.90%
Safeway Inc.				4	10,794	1.43%
Comcast				5	7,858	1.04%
		<u>\$ 174,672</u>	<u>17.97%</u>		<u>\$ 151,302</u>	<u>20.08%</u>

Source: Cowlitz County Assessor's Office

**City of Kelso
Principal Utility Taxpayers
December 31, 2019**

Utility Tax Type	2019			2010		
	Rank	Tax	Percentage of Tax to Total	Rank	Tax	Percentage of Tax to Total
Electricity*	1	\$ 739,736	21.98%	1	\$ 548,326	21.57%
Sewer*	2	552,235	16.41%	2	354,316	13.94%
Water*	3	375,851	11.17%	4	205,227	8.07%
Cable Television*	4	202,178	6.01%	6	109,721	4.32%
Garbage*	5	169,872	5.05%	7	89,909	3.54%
Cell Phone**	6	87,013	2.59%	3	213,259	8.39%
Telephone**	7	79,498	2.36%	5	131,688	5.18%
Natural Gas*	8	67,989	2.02%	8	74,589	2.93%
		<u>2,274,372</u>	<u>67.57%</u>		<u>1,727,035</u>	<u>67.94%</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
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%	51,443	1,412,614	100.0%	68	0.0%
2016	1,450,135	1,397,191	96.3%	52,679	1,449,870	100.0%	265	0.0%
2017	1,472,804	1,423,709	96.7%	41,150	1,464,859	99.5%	7,945	0.5%
2018	1,511,643	1,463,408	96.8%	30,779	1,494,187	98.8%	17,456	1.2%
2019	1,537,735	1,488,915	96.8%	-	1,488,915	96.8%	48,820	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			
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	2.16%	897
2017	5,120	-	3,880	972	9,972	1.94%	832
2018	4,832	-	3,665	4,332***	12,829	2.36%	1,062
2019	4,534	-	3,440	4,409	12,383	N/A	1,013

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
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
2019	871,613	4,534,054	-	4,534,054	0.48%	371

*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, 2019

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Direct:			
City of Kelso	\$ 4,534,054	100%	\$ 4,534,054
Overlapping:			
Cowlitz County	32,091,010	8%	2,567,281
Kelso School District	94,636,626	39%	36,908,284
Port of Longview	7,210,000	10%	721,000
Cowlitz Fire District #2	9,583,833	30%	2,875,150
Subtotal, overlapping debt	143,521,469		43,071,714
Total direct and overlapping	<u>\$ 148,055,523</u>		<u>\$ 47,605,768</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 54,615	\$ 56,505	\$ 55,744	\$ 51,020	\$ 50,853	\$ 51,766	\$ 52,766	\$ 57,422	\$ 61,334	\$ 65,371
Total net debt applicable to limit	2,046	1,893	1,637	1,378	2,315	2,175	5,070	4,800	4,530	4,250
Legal debt margin	<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>	<u>\$ 61,121</u>
Total net debt applicable to the limit as a percentage of debt limit	3.75%	3.35%	2.94%	2.70%	4.55%	4.20%	9.61%	8.36%	7.39%	6.50%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	\$ 871,613
Debt limit (7.5% of total assessed value)	65,371
Debt applicable to limit:	
General obligation bonds	4,250
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>4,250</u>
Legal debt margin	<u>\$ 61,121</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: Operating Expenses²	Net Available Revenue	Debt Services³		Coverage
				Principal	Interest	
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
2019	9,597,636	7,706,712	1,890,924	225,000	146,492	5.09

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	Per Capita		Unemployment Rate⁴	School Enrollment³
		Personal Income²	Personal Income²		
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	4,903,274	44,990	5.9%	4,941
2019	12,220	N/A	N/A	6.0%	4,992

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	2019			2010		
	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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Community Development	5.0	2.3	3.0	3.0	2.5	1.5	3.0	3.0	3.0	3.0
Finance	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	1.0	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	1.4
Admin.	2.0	1.8	1.7	2.0	2.0	2.0	2.6	2.6	2.6	2.6
Engineering	6.1	6.1	6.1	4.1	4.1	4.6	5.0	5.0	4.0	5.0
Airport	-	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Safety										
Police										
Officers	27.0	27.0	24.3	24.0	24.0	25.0	25.0	27.0	26.0	27.0
Civilians	3.4	3.4	3.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Highways & Streets										
Maintenance	1.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0
Traffic	1.5	1.3	1.3	1.3	1.3	1.0	1.0	2.0	1.0	1.0
Culture and recreation	6.0	6.0	6.0	6.3	6.3	7.0	7.0	7.0	8.0	6.0
Water	7.5	7.5	7.5	8.8	8.8	8.0	8.5	9.0	9.0	9.5
Sewer	5.5	5.5	5.5	6.8	6.8	6.0	6.5	7.0	7.0	7.5
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	76.0	71.1	69.1	72.1	72.6	71.9	75.4	79.4	77.4	79.4

Source: City Payroll Department

City of Kelso
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	1,608	1,435	1,309	1,163	1,065	1,227	1,169	1,204	1,607	1,393
Traffic violations	2,477	2,471	1,310	1,114	1,197	645	391	856	2,113	1,885
Fire (contracted with Cowlitz 2 Fire and Rescue)										
Number of calls answered	3,743	3,974	4,180	4,225	4,107	4,636	4,950	4,953	4,918	4,950
Highways and streets										
Street resurfacing (linear feet)	35,957	21,056	6,300	3,800	13,500	4,700	4,500	3,000	1,127	500
Sanitation (contracted with Waste Control Equipment Inc.)										
Residential refuse collected (tons monthly average)	495	507	524	513	641	642	677	696	712	725
Residential recyclables collected (tons monthly average)	51	46	50	41	40	41	38	41	39	32
Water										
Number of active service connections	4,758	4,775	4,782	4,778	4,781	4,784	4,789	4,799	4,810	4,752
Water main breaks	11	9	5	7	7	3	6	6	10	7
Average daily consumption (millions of gallons)	2.2	2.2	2.0	2.1	2.1	2.3	2.2	2.19	2.10	2.10
Sewer										
Number of active service connections	3,943	3,931	3,924	3,933	3,950	3,982	4,029	4,059	4,072	4,127
Average daily sewage treatment (millions of gallons)	2.6	2.7	2.9	2.3	2.5	2.7	2.7	2.7	2.5	2.2

Sources: Various City departments.

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

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	9	9	9	9	9	9	9	9
Highways and streets										
Street (miles)	64	64	64	64	64	64	64	64	64	64
Streetlights	432	432	432	441	469	469	483	502	502	502
Traffic signals	13	13	13	13	15	15	15	15	15	15
Culture and recreation										
Libraries	1	1	1	1	1	1	1	1	1	1
Park acreage	50	50	50	50	50	50	50	50	50	50
Water										
Water mains (miles)	73.00	73.00	73.56	73.56	73.56	73.85	74.28	56.30	56.46	56.46
Fire hydrants	550	554	554	554	556	605	606	606	606	606
Maximum daily capacity (millions of gallons)	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Sewer										
Sanitary sewers (miles)	56.00	56.00	56.52	56.52	56.52	56.80	57.02	44.84	44.84	44.84
Storm sewers (miles)	55	55	55	55	55	55	55	55	55	55
Maximum daily treatment capacity (millions of gallons)	26	26	26	26	26	26	26	26	26	26

Sources: Various City departments.