

*City of Kelso, Washington  
Annual Comprehensive  
Financial Report*



*Downtown Kelso, WA*

***FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2023***

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



**For the fiscal year ended December 31, 2023**

**Prepared by the Finance Department**

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

**Accounting Staff**  
**Kevin Hansen**

City of Kelso  
 Annual Comprehensive Financial Report  
 For the Fiscal Year Ended December 31, 2023

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal .....	3
GFOA Certificate of Achievement .....	8
Organization Chart.....	9
List of Elected and Appointed Officials .....	10

FINANCIAL SECTION

Independent Auditor’s Report.....	12
Management’s Discussion and Analysis .....	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	30
Statement of Activities.....	31
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	34
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	35
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Arterial Street Fund .....	36
Statement of Net Position – Proprietary Funds.....	38
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	39
Statement of Cash Flows – Proprietary Funds.....	40
Statement of Fiduciary Net Position – Fiduciary Funds.....	42
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	43
Notes to the Financial Statements.....	44
Required Supplementary Information:	
Schedules of Employer Contributions – Public Employees Retirement System .....	86
Schedules of Employer Contributions – Law Enforcement Officers and Firefighters Retirement Plans.....	86
Schedules of Proportionate Share of the Net Pension Liability (Asset) – Public Employees Retirement System.....	87
Schedules of Proportionate Share of the Net Pension Liability (Asset) – Law Enforcement Officers and Firefighters Retirement Plans.....	88
Schedule of Changes in OPEB Liability and Related Ratios .....	89

Combining Balance Sheet – Nonmajor Governmental Funds .....	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	94
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Street Fund .....	96
Library Fund .....	97
Kelso Station Fund.....	98
Parks and Recreation Fund .....	99
Paths and Trails Fund.....	100
Stadium Fund .....	101
Highlander Festival Fund.....	102
HUD Block Grant Fund .....	103
Transportation Benefit District Fund .....	104
Non-Voted GO Bond Debt Service Fund .....	105
City Hall Capital Projects Fund .....	106

#### STATISTICAL SECTION

Net Position by Component .....	109
Changes in Net position .....	110
Governmental Activities Tax Revenues by Source .....	112
Fund Balances of Governmental Funds .....	113
Changes in Fund Balances of Governmental Funds .....	114
General Governmental Tax Revenues by Source .....	115
Assessed Value and Estimated Actual Value of Taxable Property .....	116
Property Tax Rates – Direct and Overlapping Governments .....	117
Principal Property Taxpayers.....	118
Principal Utility Taxpayers .....	119
Property Tax Levies and Collections.....	120
Ratio of Outstanding Debt by Type .....	121
Ratio of General Bonded Debt Outstanding .....	122
Direct and Overlapping Governmental Activities Debt.....	123
Legal Debt Margin Information .....	124
Pledged Revenue Coverage .....	125
Demographic and Economic Statistics .....	126
Principal Employers.....	127
Full-time Equivalent City Government Employees by Function .....	128
Operating Indicators by Function .....	129
Capital Asset Statistics by Function .....	130



# **INTRODUCTORY SECTION**

**This Page Left Blank Intentionally**



## Finance / Utility Department

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

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



June 25, 2024

To the Honorable Veryl Anderson, Mayor  
Members of the City Council  
Andrew Hamilton, City Manager  
Citizens of the City of Kelso

State law requires that all local governments publish within 150 days of the close of each fiscal year financial statements covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the Washington State Auditor's Office. In addition to the State reporting requirements, the City has chosen to issue our financial report in conformity with generally accepted accounting practices (GAAP) and hereby submit this annual comprehensive financial report (ACFR) of the City of Kelso for the fiscal year ended December 31, 2023.

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, 2023, 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, 2023, 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 12,750.

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

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

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



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

The City of Kelso prepares a biennial budget in accordance with RCW 35.A.34. The biennial budget serves as the foundation for the City's financial planning and control. The budget process begins in mid-summer of even-numbered years. All departments of the city are required to submit requests for appropriation to the City Clerk on or before the fourth Monday in September. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then submits the preliminary budget to the City Council for review prior to November 1. The City Council is required to hold public hearings on the preliminary budget and to adopt a final budget by no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund. The City Manager is authorized to transfer budgeted amounts between departments within any fund and object classes within departments; however, any revisions that alter the total expenditures of a fund must be approved by the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general and arterial street funds this comparison is presented on pages 35-36 as part of the basic financial statements for the governmental funds. For governmental funds, other than those previously mentioned, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 96.

### **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 2023 was 5.1 percent compared with state and national rates of 4.1 percent and 3.6 percent, respectively.

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

### **Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kelso for its ACFR for the fiscal year ended December 31, 2022. This was the nineteenth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable legal requirements.

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

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

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

Respectfully submitted,



Brian Butterfield  
Finance Director

**This Page Left Blank Intentionally**



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Kelso  
Washington**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

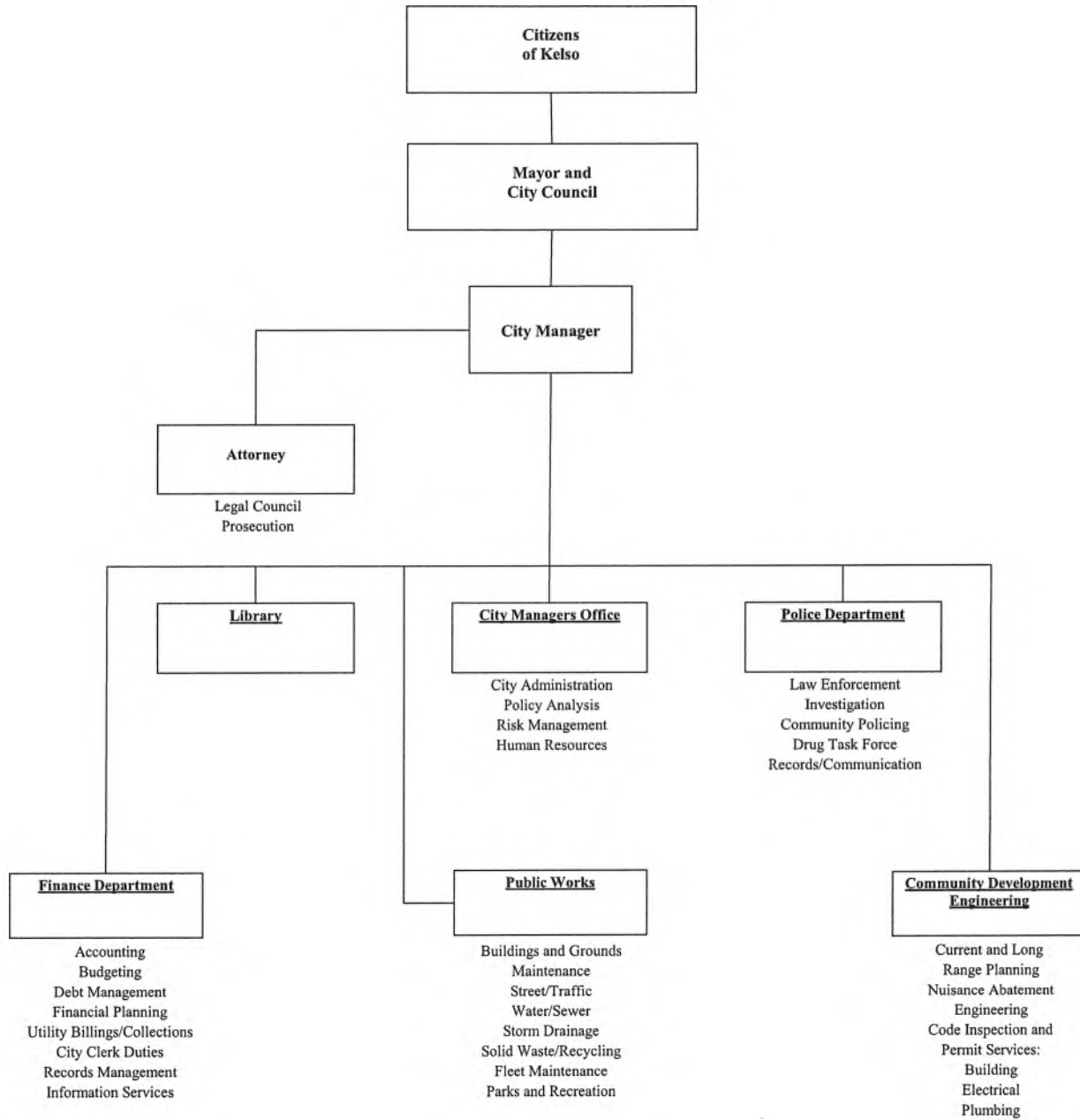
December 31, 2022

*Christopher P. Morill*

Executive Director/CEO



# City Of Kelso Organizational Chart



# City of Kelso

## Directory of Officials

As of December 31, 2023

### Elected Officials

Mayor

Mike Karnofski

Council Members

Kimberly Lefebvre

Lisa Alexander

Keenan Harvey

Jim Hill

Brian Wood

Veryl Anderson

### Appointed Officials

City Manager

Andrew Hamilton

City Attorney

Janean Parker

Clerk / Finance Director

Brian Butterfield

Public Works Manager

Devin Mackin

Police Chief

Darr Kirk

Community Development Director/  
City Engineer

Michael Kardas

# **FINANCIAL SECTION**



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

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

City Council  
City of Kelso  
Kelso, Washington

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

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kelso as of and for the year then ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kelso, as of December 31, 2023, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**



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

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

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

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

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for 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 basic 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 basic financial statements or to the basic 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 as a whole.

### **Other Information**

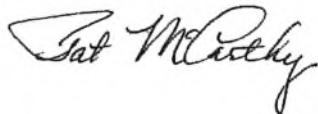
The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not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

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

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

In accordance with *Government Auditing Standards*, we will also issue our report dated June 25, 2024, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

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

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2024

**This Page Left Blank Intentionally**



## 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, 2023. 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 \$140,545 (net position). Capital assets, net of depreciation and related debt, account for \$103,248 or 73.5% of total net position. \$30,034 or 21.4% 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 \$6,375 during 2023.
- As of the close of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$18,494 an increase of \$2,130 in comparison with the prior year. Approximately 88% of this amount, \$16,264 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 \$13,126, or 97% of total general fund expenditures.
- The City of Kelso's total debt (exclusive of compensated absences, bond discounts/premiums, and pension obligations) decreased by \$751 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 nine 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 seven 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 \$140,545 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, 2023 with comparable data provided for the previous year.

**City of Kelso's Net Position**

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$27,922	\$25,936	\$ 21,435	\$ 19,802	\$ 49,357	\$ 45,738
Capital assets (net)	<u>79,410</u>	<u>79,349</u>	<u>35,593</u>	<u>34,090</u>	<u>115,003</u>	<u>113,439</u>
Total assets	<u>107,332</u>	<u>105,285</u>	<u>57,028</u>	<u>53,892</u>	<u>164,360</u>	<u>159,177</u>
Total deferred outflows of resources	<u>2,154</u>	<u>2,130</u>	<u>489</u>	<u>601</u>	<u>2,643</u>	<u>2,731</u>
Long-term liabilities outstanding	10,093	10,057	8,669	9,237	18,762	19,294
Other liabilities	<u>4,186</u>	<u>4,396</u>	<u>1,449</u>	<u>1,218</u>	<u>5,635</u>	<u>5,614</u>
Total liabilities	<u>14,279</u>	<u>14,453</u>	<u>10,118</u>	<u>10,455</u>	<u>24,397</u>	<u>24,908</u>
Total deferred inflows of resources	<u>1,804</u>	<u>2,383</u>	<u>257</u>	<u>447</u>	<u>2,061</u>	<u>2,830</u>
Net position:						
Net investment in capital assets	76,041	75,746	27,207	28,053	103,248	103,799
Restricted	6,741	5,493	522	325	7,263	5,818
Unrestricted	<u>10,621</u>	<u>9,340</u>	<u>19,413</u>	<u>15,213</u>	<u>30,034</u>	<u>24,553</u>
Total net position	<u>\$93,403</u>	<u>\$90,579</u>	<u>\$47,142</u>	<u>\$43,591</u>	<u>\$140,545</u>	<u>\$134,170</u>

By far the largest portion of the City's net position (73.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Kelso's net position (5.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$30,034 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 \$2,824 in 2023. Revenues increased by \$414 and expenses increased by \$2,373 in 2023. Key elements for these changes include the following:

- The increase in revenues from the prior was because the city received \$644 more in interest on investments in 2023. The average interest rate went from 1.7% to 5.1% from 2022 to 2023.



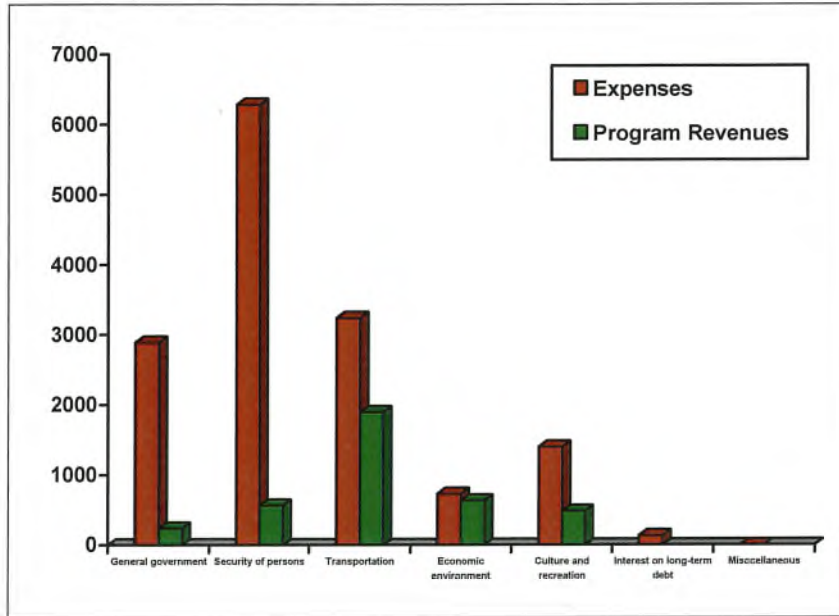
- Sales and business taxes remained historically elevated due to above normal construction activity throughout the city, as well as, increased economic activity spurred by COVID 19 related stimulus programs in 2023.
- The increase in expenditures was due to increased staffing in the police and planning departments as well as cost of living adjustments for all employees.
- The city increased spending on street overlays in 2023 by \$762. In addition, the City spent \$292 on the Allen Street Corridor study which was funded 100% from federal grant.

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

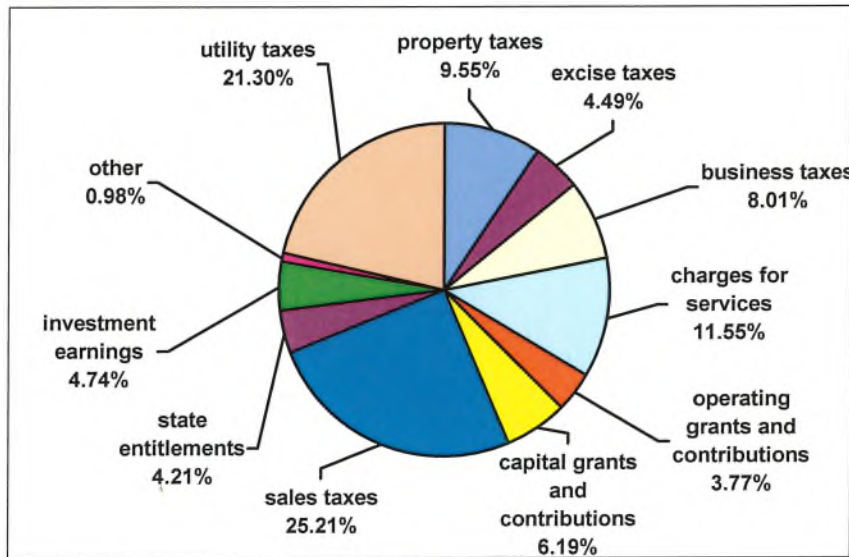
	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$2,022	\$1,896	\$14,111	\$13,896	\$16,133	\$15,792
Operating grants and contributions	659	207	132	158	791	365
Capital grants and contributions	1,083	2,283	320	-	1,403	2,283
General revenues:						
Property taxes	1,672	1,603	-	-	1,672	1,603
Sales and use taxes	4,411	4,391	-	-	4,411	4,391
Utility taxes	3,727	3,723	-	-	3,727	3,723
Business taxes	1,402	1,137	-	-	1,402	1,137
Excise taxes	786	490	-	-	786	490
State entitlements	736	797	-	-	736	797
Investment earnings	830	186	682	156	1,512	342
Miscellaneous	136	363	-	-	136	363
Gain/(loss) on sale of capital assets	36	10	-	-	36	10
Total revenues	<u>17,500</u>	<u>17,086</u>	<u>15,245</u>	<u>14,210</u>	<u>32,745</u>	<u>31,296</u>
Expenses:						
General government	2,891	2,746	-	-	2,891	2,746
Security of persons and property	6,286	5,338	-	-	6,286	5,338
Transportation	3,239	2,024	-	-	3,239	2,024
Economic environment	729	529	-	-	729	529
Culture and recreation	1,399	1,542	-	-	1,399	1,542
Interest on long-term debt	132	124	-	-	132	124
Water/Sewer	-	-	9,157	9,158	9,157	9,158
Storm water	-	-	608	769	608	769
Solid waste	-	-	1,929	1,910	1,929	1,910
Total expenses	<u>14,676</u>	<u>12,303</u>	<u>11,694</u>	<u>11,837</u>	<u>26,370</u>	<u>24,140</u>
Change in net position	2,824	4,783	3,551	2,373	6,375	7,156
Net position – beginning	<u>90,579</u>	<u>85,796</u>	<u>43,591</u>	<u>41,218</u>	<u>134,170</u>	<u>127,014</u>
Net position – ending	<u>\$ 93,403</u>	<u>\$ 90,579</u>	<u>\$47,142</u>	<u>\$43,591</u>	<u>\$140,545</u>	<u>\$134,170</u>



**Expenses and Program Revenues – Governmental Activities**

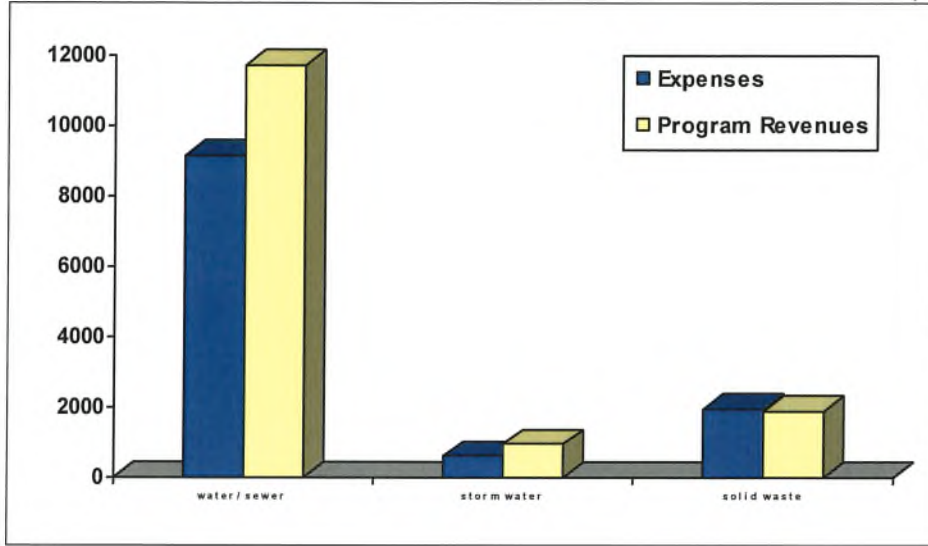


**Revenues by Source - Governmental Activities**

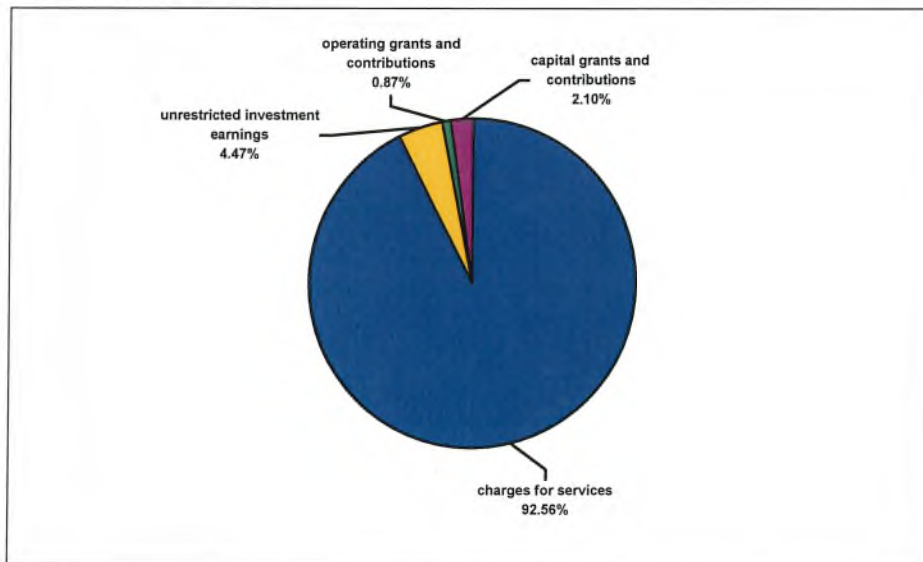


**Business-type activities.** Business-type activities increased the City of Kelso’s net position by \$3,551. Business-type activity revenues increased by \$1,035 and expenses decreased by \$143 in 2023. Operating revenues exceeded operating expenses in 2023 by \$2,258 in the water/sewer fund.

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



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



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

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

- The city increased the water and sewer rates by 7% and 3%, respectively in 2023.
- Expenses decreased from prior year because of the decrease in general maintenance expenses in the stormwater drainage fund from 2022. In 2022, the city did an extensive repair on North Pacific Ave. which cost \$281.
- The city received \$470 more in interest on investments in 2023. The average interest rate went from 1.7% to 5.1% from 2022 to 2023.
- Capital recovery fees climbed by 51% due to increased development in South Kelso.

### **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 \$18,494 an increase of \$2,130 in comparison with the prior year. Approximately 88% of ending fund balance (\$16,264) 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 (\$199), 2) to pay for low-income housing (\$109), 3) to pay for street maintenance & construction (\$386), 4) to pay for construction or debt service on certain capital projects (\$395), 5) for building permitting administration (\$868), and 6) for a variety of other restricted purposes (\$273).

As mentioned earlier, the City of Kelso maintains nine 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 \$14,174. All but \$1,979 of this fund balance is unassigned. \$1,048 is restricted for low-income housing, building permitting, and public education. \$434 has been assigned by the city for maintenance of City owned bridges. Unassigned fund balance represents 94 percent of total general fund operating expenditures (excludes capital expenditures and transfers).

The fund balance of the City of Kelso's general fund increased by \$2,089 during the current fiscal year. Much of this increase can, most likely, be attributed to the overall increased economic activity spurred by the COVID 19 related stimulus programs. Other reasons for this increase are discussed in the General Fund Budgetary Highlights section below.

The arterial street fund accounts for the receipt and expenditure of various grants, road maintenance fees, as well as transfers from the other funds. Revenues are designated for construction, improvement, chip sealing, seal coating, and repair of City streets. In 2023, the arterial street fund expended approximately \$2 million on roadway improvements. These expenditures were offset by \$1.32 million from various grantors.

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

Unrestricted net position of the water/sewer fund at the end of the year amounted to \$15,759, and for the solid waste fund amounted to \$254. The total net position for the water/sewer fund increased by \$2,985 and the total net position for the solid waste fund decreased by \$29. 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 \$291 increase in appropriations.

At the end of the year, budgetary estimates exceeded operating revenues by \$1,701 and operating expenditures and transfers were \$3,927 less than budgetary estimates.

Some of the factors that contributed to the budget variances in revenues and expenditures include the following:

- The city budgeted \$2,350 for park improvements and maintenance of the train depot in 2023. \$2,000 of these projects will be completed in 2024. These improvements are grant funded.
- The city budgeted \$900 for runway improvements at the local airport. This project has been rolled over to 2024. This project is grant funded.
- Sales tax receipts were \$652 higher than anticipated.
- Building permit related revenues exceeded budgetary amounts by \$304.

The increases realized in sales tax and building permits are attributed to above normal construction activity within the city in 2023.

### **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, 2023 amounts to \$103,248 (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:

- Paxton Road Transmission Line. This project will replace approximately 770 linear feet of existing 16-inch diameter potable water pipeline between the Paxton Road reservoir and S. Kelso Drive. The new pipeline is approximately 1,685 long and located in City right of way and a new easement, clear of any structures. The project also includes a small booster pump station at the Paxton Reservoir site. This project will bring the City into full compliance with Washington State Department of Health design regulations, thereby allowing additional water connections in the Paxton Road area. The city expects this project to be completed in the spring of 2024. The total project cost through December 31, 2023 was \$1,420,657.
- Donation Street Pump Station. This project completely rehabilitates the existing station by replacing obsolete and inadequate pumping equipment, providing a new stand-by generator, and converting the station from a wet-pit dry-pit configuration to a submersible one. This provides significant capacity improvements. New control systems will be housed in a new concrete block building. The contract also provides for a new 16-inch diameter force main and the rehabilitation of an existing force main. The total project cost through December 31, 2023 was \$902,137.
- South Kelso Railroad Crossing. This project proposes to construct a grade separated crossing over the Burlington Northern Santa Fe Railroad in south Kelso. The project is currently in the design and right of way acquisition phases. The total cost of this project through December 31, 2023, was \$6,364,042. The city expects to go out to bid for the construction phase of this project in the early summer of 2024.



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

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$26,226	\$26,266	\$ 275	\$ 275	\$ 26,501	\$ 26,541
Buildings and structures	6,351	6,503	11,599	11,920	17,950	18,423
Improvements non-building	7,307	7,521	19,406	19,326	26,713	26,847
Machinery and equipment	849	986	1,557	1,724	2,406	2,710
Infrastructure	30,797	31,499	-	-	30,797	31,499
Right to use assets	106	20	65	-	171	20
Construction in progress	<u>7,774</u>	<u>6,554</u>	<u>2,691</u>	<u>845</u>	<u>10,465</u>	<u>7,399</u>
Total	<u>\$79,410</u>	<u>\$79,349</u>	<u>\$35,593</u>	<u>\$34,090</u>	<u>\$115,003</u>	<u>\$113,439</u>

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

**Long-term debt.** At the end of the current fiscal year, the City of Kelso had total bonded G.O. debt outstanding of \$3,050. 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	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$3,050	\$3,360	\$ -	\$ -	\$3,050	\$3,360
Revenue bonds	<u>-</u>	<u>-</u>	<u>4,455</u>	<u>4,780</u>	<u>4,455</u>	<u>4,780</u>
Total	<u>\$3,050</u>	<u>\$3,360</u>	<u>\$4,455</u>	<u>\$4,780</u>	<u>\$7,505</u>	<u>\$8,140</u>

The City of Kelso's total bonded debt decreased by \$635 during the current fiscal year.

In addition to the bonded debt mentioned above, the City has a Drinking Water State Revolving Fund loan outstanding at year end. The total amount outstanding at year end for these loans is \$3,075.

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 2023 was 5.1 percent, which is a decrease from a rate of 5.7 percent in 2022. This compares unfavorably to the State's average unemployment rate of 4.1 percent and the national average rate of 3.6 percent.
- For the 2023/2024 biennium, the city will maintain the 2% increase for utility taxes on water, sewer, and garbage that was implemented in the 2017/2018 biennium.
- The City's ability to raise property taxes has been limited by Initiative 747. I-747 is a voter approved initiative that reduces the allowable property tax growth limit to the lower of 1 percent or the Implicit Price Deflator.
- The City enacted a .1% sales tax to help fund roadway maintenance and construction projects. This tax became effective on April 1, 2023.

All of these factors were considered in preparing the City of Kelso's budget for the 2024 fiscal year.

At the end of the current fiscal year the unassigned fund balance in the general fund is \$12,195. In 2024, the City anticipates spending down \$498 of this unassigned fund balance. The anticipated deficit stems from enhancements to the City's police department and conservative revenue projections.

In 2024, water and sewer rates will be increased by 7% and 3%, respectively. These rate increases are necessary to keep pace with inflation and for future capital upgrades.

## **Requests for Information**

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

**BASIC  
FINANCIAL  
STATEMENTS**

**City of Kelso**  
**Statement of Net Position**  
**December 31, 2023**

	<b>PRIMARY GOVERNMENT</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash & cash equivalents	\$ 20,497,134	\$ 18,666,685	\$ 39,163,819
Receivables (net of allowance for uncollectible):	3,874,883	2,109,385	5,984,268
Prepays	40,000	-	40,000
Net pension asset	3,275,424	421,000	3,696,424
Long-term notes receivable	234,541	-	234,541
Restricted assets	-	238,269	238,269
Capital assets not being depreciated:			
Land	26,226,303	274,779	26,501,082
Construction in progress	7,774,011	2,691,510	10,465,521
Capital assets net of accumulated depreciation:			
Buildings	6,350,427	11,598,534	17,948,961
Improvements other than buildings	7,307,220	19,405,631	26,712,851
Machinery and equipment	849,172	1,557,604	2,406,776
Leases	58,963	-	58,963
SBITA's	47,026	65,174	112,200
Infrastructure	30,796,506	-	30,796,506
Total assets	<u>107,331,610</u>	<u>57,028,571</u>	<u>164,360,181</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to charge on refunding	16,607	-	16,607
Related to pensions	2,049,924	358,883	2,408,807
Related to OPEB	62,508	-	62,508
Related to asset retirement obligations	25,412	130,400	155,812
Total deferred outflows of resources	<u>2,154,451</u>	<u>489,283</u>	<u>2,643,734</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,093,349	1,110,503	2,203,852
Interest payable	9,518	33,365	42,883
Unearned revenue	3,082,544	66,861	3,149,405
Liabilities payable from restricted assets	-	238,269	238,269
Long-term liabilities:			
Due within one year	674,642	643,257	1,317,899
Due in more than one year	3,432,774	7,509,018	10,941,792
Net pension liability	272,270	181,514	453,784
Total OPEB liability	5,510,441	-	5,510,441
Asset retirement obligation	203,291	335,200	538,491
Total liabilities	<u>14,278,829</u>	<u>10,117,987</u>	<u>24,396,816</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	1,101,349	257,862	1,359,211
Related to leases	702,835	-	702,835
Total deferred inflows of resources	<u>1,804,184</u>	<u>257,862</u>	<u>2,062,046</u>
<b>NET POSITION</b>			
Net investment in capital assets	76,040,840	27,207,145	103,247,985
Restricted for:			
Pensions	4,223,999	522,021	4,746,020
Capital projects	394,662	-	394,662
Promotion of tourism	193,745	-	193,745
Paths and trails	9,064	-	9,064
Street maintenance/construction	385,683	-	385,683
Opioid settlement	286,196	-	286,196
Affordable housing	109,327	-	109,327
Housing/neighborhood rehabilitation	199,318	-	199,318
Public education	70,683	-	70,683
Building permitting	867,956	-	867,956
Unrestricted	10,621,575	19,412,839	30,034,414
Total net position	<u>\$ 93,403,048</u>	<u>\$ 47,142,005</u>	<u>\$ 140,545,053</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, 2023**

Functions/Programs	Program Revenues				Net (expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Government		Total
			Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,891,535	\$ 236,686	\$ -	\$ -	\$ (2,654,849)	\$ -	\$ (2,654,849)
Security of persons and property	6,285,808	458,252	106,690	-	(5,720,866)	-	(5,720,866)
Transportation	3,239,496	533,612	537,125	781,690	(1,387,069)	-	(1,387,069)
Economic environment	729,436	615,837	15,528	-	(98,071)	-	(98,071)
Culture and recreation	1,398,947	177,429	-	301,191	(920,327)	-	(920,327)
Interest on long-term debt	131,518	-	-	-	(131,518)	-	(131,518)
Total governmental activities	<u>14,676,740</u>	<u>2,021,816</u>	<u>659,343</u>	<u>1,082,881</u>	<u>(10,912,700)</u>	<u>-</u>	<u>(10,912,700)</u>
Business-type activities:							
Water/Sewer	9,157,226	11,403,730	-	307,599	-	2,554,103	2,554,103
Solid waste	1,928,653	1,895,298	-	-	-	(33,355)	(33,355)
Storm water	607,429	811,548	132,500	12,115	-	348,734	348,734
Total business-type activities	<u>11,693,308</u>	<u>14,110,576</u>	<u>132,500</u>	<u>319,714</u>	<u>-</u>	<u>2,869,482</u>	<u>2,869,482</u>
Total primary government	<u>\$ 26,370,048</u>	<u>\$ 16,132,392</u>	<u>\$ 791,843</u>	<u>\$ 1,402,595</u>	<u>\$ (10,912,700)</u>	<u>\$ 2,869,482</u>	<u>\$ (8,043,218)</u>
General Revenues:							
Property taxes					1,671,903	-	1,671,903
Sales taxes					4,410,679	-	4,410,679
Utility taxes					3,727,208	-	3,727,208
Business taxes					1,402,489	-	1,402,489
Excise taxes					786,255	-	786,255
State entitlements (unrestricted)					736,238	-	736,238
Investment earnings					829,845	681,945	1,511,790
Miscellaneous					136,384	-	136,384
Gain on sale of capital assets					35,420	-	35,420
Total general revenues					<u>13,736,421</u>	<u>681,945</u>	<u>14,418,366</u>
Change in net position					<u>2,823,721</u>	<u>3,551,427</u>	<u>6,375,148</u>
Net position - beginning					<u>90,579,327</u>	<u>43,590,578</u>	<u>134,169,905</u>
Net position - ending					<u>\$ 93,403,048</u>	<u>\$ 47,142,005</u>	<u>\$ 140,545,053</u>

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



**City of Kelso**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2023**

	General Fund	Arterial Street Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash & cash equivalents	\$ 15,791,975	\$ 2,243,983	\$ 1,557,458	\$ 19,593,416
Receivables (net):				
Taxes	2,059,261	-	132,804	2,192,065
Accounts	618,454	-	-	618,454
Assessments	-	2,112	-	2,112
Leases	709,904	-	-	709,904
Due from other governments	101,821	249,757	-	351,578
Prepaid items	40,000	-	-	40,000
Long-term notes receivable	-	-	234,541	234,541
Total assets	<u>\$ 19,321,415</u>	<u>\$ 2,495,852</u>	<u>\$ 1,924,803</u>	<u>\$ 23,742,070</u>
<b>LIABILITIES</b>				
Accounts payable	994,883	98,466	-	1,093,349
Unearned revenue	3,080,432	2,112	-	3,082,544
Total liabilities	<u>4,075,315</u>	<u>100,578</u>	<u>-</u>	<u>4,175,893</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property tax	64,594	-	-	64,594
Unavailable revenue-municipal court	67,945	-	-	67,945
Unavailable revenue-settlements	236,528	-	-	236,528
Leases	702,835	-	-	702,835
Total deferred inflows of resources	<u>1,071,902</u>	<u>-</u>	<u>-</u>	<u>1,071,902</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted for:				
Paths and trails	-	-	9,064	9,064
Promotion of tourism	-	-	193,745	193,745
Housing/neighborhood rehabilitation	-	-	199,318	199,318
Low income housing	109,327	-	-	109,327
Street maintenance/construction	-	-	385,683	385,683
Capital projects	-	-	394,662	394,662
Public education	70,683	-	-	70,683
Building permitting	867,956	-	-	867,956
Assigned to:				
Debt service	-	-	194,263	194,263
Bridge maintenance	433,714	-	-	433,714
Recreation	-	-	11,360	11,360
Neighborhood rehabilitation	-	-	467,466	467,466
Street maintenance/construction	-	2,395,274	-	2,395,274
Subsequent year budget	497,500	-	-	497,500
Promotion of tourism	-	-	69,242	69,242
Unassigned	12,195,018	-	-	12,195,018
Total fund balances	<u>14,174,198</u>	<u>2,395,274</u>	<u>1,924,803</u>	<u>18,494,275</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 19,321,415</u>	<u>\$ 2,495,852</u>	<u>\$ 1,924,803</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.	78,825,927
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	369,067
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.	(1,621,204)
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.	1,488,189
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(4,153,206)
Net position of governmental activities	<u>\$ 93,403,048</u>

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

**City of Kelso**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2023**

	General Fund	Arterial Street Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes	\$ 11,007,889	\$ -	\$ 985,203	\$ 11,993,092
Licenses and permits	514,112	-	-	514,112
Intergovernmental	1,329,499	1,318,815	1,179	2,649,493
Charges for services	1,319,852	191,481	16,297	1,527,630
Fines	96,847	-	-	96,847
Investment earnings	671,811	99,395	44,030	815,236
Contributions	48,023	-	2,600	50,623
Rental/lease income	110,592	-	-	110,592
Miscellaneous	182,402	2,218	1,709	186,329
Total revenues	<u>15,281,027</u>	<u>1,611,909</u>	<u>1,051,018</u>	<u>17,943,954</u>
<b>Expenditures</b>				
Current:				
General government	3,713,839	-	-	3,713,839
Security of persons and property	6,095,129	-	-	6,095,129
Transportation	1,346,885	1,054,584	-	2,401,469
Economic environment	736,795	-	-	736,795
Culture and recreation	1,090,528	-	114,828	1,205,356
Debt service:				
Principal	-	-	310,000	310,000
Interest	21,226	-	123,235	144,461
Capital outlay:				
General government	73,692	-	-	73,692
Security of persons and property	91,171	-	-	91,171
Transportation	12,588	919,162	-	931,750
Culture and recreation	383,391	-	-	383,391
Total expenditures	<u>13,565,244</u>	<u>1,973,746</u>	<u>548,063</u>	<u>16,087,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,715,783</u>	<u>(361,837)</u>	<u>502,955</u>	<u>1,856,901</u>
<b>Other financing sources (uses)</b>				
Sale of general capital assets	108,289	-	-	108,289
Issuance of Debt - SBITA's	165,200	-	-	165,200
Transfers in	100,000	-	450,035	550,035
Transfers out	-	-	(550,035)	(550,035)
Total other financing sources (uses)	<u>373,489</u>	<u>-</u>	<u>(100,000)</u>	<u>273,489</u>
Net change in fund balances	2,089,272	(361,837)	402,955	2,130,390
Fund balances - beginning	12,084,926	2,757,111	1,521,848	16,363,885
Fund balances - ending	<u>\$ 14,174,198</u>	<u>\$ 2,395,274</u>	<u>\$ 1,924,803</u>	<u>\$ 18,494,275</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, 2023**

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

Net change in fund balances - total governmental funds (page 33)	\$ 2,130,390
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	289,602
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.	(128,193)
The net effect of funding the City's annual required contribution to the State Pension Fund.	523,048
The net effect of funding the City's post-retirement health care benefits for LEOFF 1 (Law Enforcement Officers and Fire Fighters) employees.	(247,996)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(56,689)
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.	249,595
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.	(98,297)
Some expenses reported in the governmental funds have already been reported in the statement of activities in prior years.	693
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.	161,568
Change in net position of governmental activities (page 31)	<u>\$ 2,823,721</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 8,102,300	\$ 8,102,300	\$ 9,328,889	\$ 1,226,589
Licenses and permits	199,200	199,200	514,112	314,912
Intergovernmental	4,252,000	4,252,000	777,263	(3,474,737)
Charges for services	1,279,300	1,279,300	1,304,609	25,309
Fines	151,500	151,500	96,393	(55,107)
Investment earnings	162,500	395,500	620,505	225,005
Contributions	13,000	13,000	3,940	(9,060)
Rental/lease income	11,000	11,000	12,451	1,451
Other miscellaneous	44,000	44,000	88,258	44,258
Total revenues	<u>14,214,800</u>	<u>14,447,800</u>	<u>12,746,420</u>	<u>(1,701,380)</u>
<b>Expenditures</b>				
General government:				
Council	165,300	165,300	155,237	10,063
Municipal court	335,000	335,000	300,008	34,992
Manager	398,900	404,900	417,117	(12,217)
Finance	775,100	775,100	734,464	40,636
Attorney	263,300	283,300	266,883	16,417
Police	85,000	105,000	100,761	4,239
Engineering	714,500	714,500	583,526	130,974
Other - unclassified	1,321,100	1,356,100	1,155,843	200,257
Total general government	<u>4,058,200</u>	<u>4,139,200</u>	<u>3,713,839</u>	<u>425,361</u>
Security of persons and property:				
Police	5,567,800	5,567,800	5,280,172	287,628
Jail	305,000	455,000	434,134	20,866
Fire	252,260	252,260	254,275	(2,015)
Other	123,600	123,600	126,548	(2,948)
Total security of persons and property	<u>6,248,660</u>	<u>6,398,660</u>	<u>6,095,129</u>	<u>303,531</u>
Transportation	1,134,800	1,134,800	227,658	907,142
Economic environment	905,900	905,900	736,795	169,105
Culture and recreation	7,500	7,500	4,296	3,204
Capital outlay	59,500	119,500	164,863	(45,363)
Total expenditures	<u>12,414,560</u>	<u>12,705,560</u>	<u>10,942,580</u>	<u>1,762,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,800,240</u>	<u>1,742,240</u>	<u>1,803,840</u>	<u>61,600</u>
<b>Other financing sources (uses)</b>				
Proceeds from lease financing	-	-	62,126	62,126
Proceeds from sale of capital assets	-	-	108,289	108,289
Transfers in	60,000	60,000	-	(60,000)
Transfers out	(2,401,000)	(2,343,000)	(179,000)	2,164,000
Total other financing sources (uses)	<u>(2,341,000)</u>	<u>(2,283,000)</u>	<u>(8,585)</u>	<u>2,274,415</u>
Net change in fund balances budgetary basis	<u>(540,760)</u>	<u>(540,760)</u>	<u>1,795,255</u>	<u>2,336,015</u>
<b>Reconciliation of budgetary/GAAP basis:</b>				
Basis difference (See note III.B.)			<u>294,017</u>	
Net change in fund balance GAAP basis			<u>2,089,272</u>	
Fund balance - beginning			<u>12,084,926</u>	
Fund balance - ending			<u>\$ 14,174,198</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 17,885,050	\$ 17,885,050	\$ 1,318,815	\$ (16,566,235)
Charges for services	191,000	191,000	191,481	481
Investment earnings	50,000	50,000	99,395	49,395
Miscellaneous	-	-	2,218	2,218
Total revenues	<u>18,126,050</u>	<u>18,126,050</u>	<u>1,611,909</u>	<u>(16,514,141)</u>
<b>Expenditures</b>				
Transportation	966,000	966,000	1,054,584	(88,584)
Capital outlay	17,179,000	17,179,000	919,162	16,259,838
Debt Service:				
Interest and bond issuance costs	2,000	2,000	-	2,000
Total expenditures	<u>18,147,000</u>	<u>18,147,000</u>	<u>1,973,746</u>	<u>16,173,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,950)</u>	<u>(20,950)</u>	<u>(361,837)</u>	<u>(340,887)</u>
Net change in fund balance	(20,950)	(20,950)	(361,837)	(340,887)
Fund balance - beginning	2,757,111	2,757,111	2,757,111	-
Fund balance - ending	<u>\$ 2,736,161</u>	<u>\$ 2,736,161</u>	<u>\$ 2,395,274</u>	<u>\$ (340,887)</u>

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

**This Page Left Blank Intentionally**

**City of Kelso**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**December 31, 2023**

	Business-type Activities - Enterprise Funds				Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund	Total	
	Solid Waste	Water- Sewer	Storm Water		
<b>ASSETS</b>					
Current Assets:					
Cash & cash equivalents	\$ 99,714	\$ 15,296,294	\$ 1,336,539	\$ 16,732,547	\$ 2,837,856
Restricted cash, cash equivalents, and investments:					
Customer deposits	-	238,269	-	238,269	-
Accounts receivable	333,608	1,606,777	168,772	2,109,157	998
Total current assets	<u>433,322</u>	<u>17,141,340</u>	<u>1,505,311</u>	<u>19,079,973</u>	<u>2,838,854</u>
Noncurrent assets:					
Capital Assets:					
Land	-	274,779	-	274,779	-
Buildings and structures	-	16,072,242	-	16,072,242	-
Improvements other than buildings	-	32,468,964	1,817,269	34,286,233	-
Machinery and equipment	-	2,749,800	-	2,749,800	4,203,013
Intangible Asset - SBITA	-	65,174	-	65,174	-
Construction in progress	-	2,691,510	-	2,691,510	-
Less accumulated depreciation	-	(20,800,322)	(477,173)	(21,277,495)	(2,888,323)
Total capital assets (net of accumulated depreciation)	-	33,522,147	1,340,096	34,862,243	1,314,690
Net pension asset	-	368,375	52,625	421,000	-
Total noncurrent assets	-	<u>33,890,522</u>	<u>1,392,721</u>	<u>35,283,243</u>	<u>1,314,690</u>
Total Assets	<u>433,322</u>	<u>51,031,862</u>	<u>2,898,032</u>	<u>54,363,216</u>	<u>4,153,544</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to pensions	-	314,023	44,860	358,883	-
Related to asset retirement obligations	-	130,400	-	130,400	-
Total Deferred Outflows of Resources	-	<u>444,423</u>	<u>44,860</u>	<u>489,283</u>	-
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	179,004	704,102	227,397	1,110,503	-
Compensated absences	-	22,244	2,363	24,607	-
Customer deposits	-	238,269	-	238,269	-
Accrued interest payable	-	33,365	-	33,365	-
Unearned revenue	-	66,861	-	66,861	-
Current revenue bonds payable	-	340,000	-	340,000	-
Current portion notes payable	-	256,280	-	256,280	-
Current SBITA payable	-	22,370	-	22,370	-
Total current liabilities	<u>179,004</u>	<u>1,683,491</u>	<u>229,760</u>	<u>2,092,255</u>	-
Noncurrent liabilities:					
Compensated absences	-	66,730	7,091	73,821	-
Revenue bonds payable	-	4,573,309	-	4,573,309	-
Notes payable	-	2,819,084	-	2,819,084	-
SBITA payable	-	42,804	-	42,804	-
Net pension liability	-	158,825	22,689	181,514	-
Asset retirement obligations	-	335,200	-	335,200	-
Total noncurrent liabilities	-	<u>7,995,952</u>	<u>29,780</u>	<u>8,025,732</u>	-
Total Liabilities	<u>179,004</u>	<u>9,679,443</u>	<u>259,540</u>	<u>10,117,987</u>	-
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to pensions	-	225,628	32,234	257,862	-
Total Deferred Inflows of Resources	-	<u>225,628</u>	<u>32,234</u>	<u>257,862</u>	-
<b>NET POSITION</b>					
Net investment in capital assets	-	25,355,736	1,120,420	26,476,156	1,314,690
Restricted for pensions	-	456,770	65,251	522,021	-
Unrestricted	254,318	15,758,708	1,465,447	17,478,473	2,838,854
Total net position	<u>\$ 254,318</u>	<u>\$ 41,571,214</u>	<u>\$ 2,651,118</u>	<u>44,476,650</u>	<u>\$ 4,153,544</u>
				2,665,355	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>\$ 47,142,005</u>	
Net position of business-type activities					

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

**City of Kelso**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2023**

	Business-type Activities - Enterprise Funds				Equipment Reser Internal Service Fund
	Major Funds		Non-Major Fund	Total	
	Solid Waste	Water- Sewer	Storm Water		
Operating revenues:					
Charges for services	\$ 1,895,222	\$ 11,137,130	\$ 811,548	\$ 13,843,900	\$ 540,100
Other operating revenue	76	79,636	-	79,712	6,208
Total operating revenues	<u>1,895,298</u>	<u>11,216,766</u>	<u>811,548</u>	<u>13,923,612</u>	<u>546,308</u>
Operating expenses:					
General operations	1,062,198	3,537,934	506,287	5,106,419	-
Contracted processing operations	559,881	2,391,241	-	2,951,122	-
Maintenance	11,883	565,270	61,148	638,301	-
Depreciation/amortization	-	983,335	26,741	1,010,076	260,554
Taxes	294,691	1,481,199	13,253	1,789,143	-
Total operating expenses	<u>1,928,653</u>	<u>8,958,979</u>	<u>607,429</u>	<u>11,495,061</u>	<u>260,554</u>
Operating income (loss)	<u>(33,355)</u>	<u>2,257,787</u>	<u>204,119</u>	<u>2,428,551</u>	<u>285,754</u>
Nonoperating revenues (expenses):					
Investment earnings	4,466	591,173	20,503	616,142	97,344
Intergovernmental	-	-	132,500	132,500	-
Other	-	307,599	12,115	319,714	-
Gain (loss) on capital asset disposition	-	-	-	-	4,316
Interest expense	-	(171,326)	-	(171,326)	-
Total nonoperating revenues (expenses)	<u>4,466</u>	<u>727,446</u>	<u>165,118</u>	<u>897,030</u>	<u>101,660</u>
Income (loss) before capital contributions and transfers	<u>(28,889)</u>	<u>2,985,233</u>	<u>369,237</u>	<u>3,325,581</u>	<u>387,414</u>
Change in net position	<u>(28,889)</u>	<u>2,985,233</u>	<u>369,237</u>	<u>3,325,581</u>	<u>387,414</u>
Total net position - beginning	<u>283,207</u>	<u>38,585,981</u>	<u>2,281,881</u>		<u>3,766,130</u>
Total net position - ending	<u>\$ 254,318</u>	<u>\$ 41,571,214</u>	<u>\$ 2,651,118</u>		<u>\$ 4,153,544</u>
				225,846	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>\$ 3,551,427</u>	
Change in net position of business-type activities					

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, 2023

	Business-type Activities - Enterprise Funds				Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund		
	Solid Waste	Water- Sewer	Storm Water	Totals	
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 1,876,490	\$ 11,424,140	\$ 808,397	\$ 14,109,027	\$ -
Receipts from other sources	76	79,636	-	79,712	-
Receipts from interfund services provided	-	69,628	-	69,628	546,618
Payments to suppliers and service providers	(1,819,114)	(5,867,892)	(308,546)	(7,995,552)	-
Payments to employees	(9,858)	(1,744,175)	(193,142)	(1,947,175)	-
Payments for interfund services used	(102,674)	(594,930)	(100,694)	(798,298)	-
Net cash provided (used) by operating activities	(55,080)	3,366,407	206,015	3,517,342	546,618
<b>Cash flows from noncapital financing activities</b>					
Operating grants received	-	26,000	132,500	158,500	-
Net cash provided (used) by noncapital financing activities	-	26,000	132,500	158,500	-
<b>Cash flows from capital and related financing activities</b>					
Proceeds from capital recovery fees	-	307,599	12,115	319,714	-
Proceeds from sale of capital assets	-	-	-	-	12,705
Acquisition and construction of capital assets	-	(2,025,940)	(291,825)	(2,317,765)	(67,470)
Principal paid on capital debt	-	(581,280)	-	(581,280)	-
Interest paid on capital debt	-	(191,061)	-	(191,061)	-
Net cash provided (used) by capital financing activities	-	(2,490,682)	(279,710)	(2,770,392)	(54,765)
<b>Cash flows from investing activities</b>					
Interest received	4,466	591,173	20,503	616,142	97,344
Net cash provided (used) by investing activities	4,466	591,173	20,503	616,142	97,344
Net increase (decrease) in cash and cash equivalents	(50,614)	1,492,898	79,308	1,521,592	589,197
Cash and cash equivalents, January 1	150,328	14,041,665	1,257,231	15,449,224	2,248,659
Cash and cash equivalents, December 31	<u>\$ 99,714</u>	<u>\$ 15,534,563</u>	<u>\$ 1,336,539</u>	<u>\$ 16,970,816</u>	<u>\$ 2,837,856</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (33,355)	\$ 2,257,787	\$ 204,119	\$ 2,428,551	\$ 285,754
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	983,335	26,741	1,010,076	260,554
(Increase) decrease in accounts receivable	(18,732)	268,458	(3,151)	246,575	310
Increase (decrease) in customer deposits	-	2,026	-	2,026	-
Increase (decrease) in accounts payable	(2,993)	32,180	1,083	30,270	-
Increase (decrease) in compensated absences	-	(3,110)	5,185	2,075	-
Increase (decrease) in unearned revenues	-	20,980	-	20,980	-
Increase (decrease) in pension expense	-	(195,249)	(27,962)	(223,211)	-
Total adjustments	(21,725)	1,108,620	1,896	1,088,791	260,864
Net cash provided (used) by operating activities	<u>\$ (55,080)</u>	<u>\$ 3,366,407</u>	<u>\$ 206,015</u>	<u>\$ 3,517,342</u>	<u>\$ 546,618</u>
<b>Schedule of non-cash investing activities:</b>					
Capital assets financed through accounts payable	\$ -	\$ (199,939)	\$ (219,676)	\$ (419,615)	\$ -

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

**This Page Left Blank Intentionally**

**City of Kelso**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2023**

	<b>Airport Custodial Fund</b>
	<u>          </u>
<b>Assets</b>	
Cash & cash equivalents	\$ 638,089
Receivables	257,163
Other assets	<u>900,526</u>
Total assets	<u><u>1,795,778</u></u>
 <b>Liabilities</b>	
Accounts payable	<u>111,135</u>
Total liabilities	<u><u>111,135</u></u>
 <b>Net Position</b>	
Restricted for:	
Regional airport	<u>1,684,643</u>
Total net position	<u><u>\$ 1,684,643</u></u>

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

**City of Kelso**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended December 31, 2023**

	<u><b>Airport Custodial Fund</b></u>
<b>Additions</b>	
Collections from regional airport tenants	\$ 199,001
Governmental grants and subsidies received	1,010,956
Miscellaneous	7,609
Total contributions	<u>1,217,566</u>
Investment earnings:	
Interest	48,058
Total investment earnings	<u>48,058</u>
Total additions	<u>1,265,624</u>
 <b>Deductions</b>	
Payments to vendors for airport operations	421,496
Total deductions	<u>421,496</u>
Change in net position	844,128
Net position - beginning	<u>840,515</u>
Net position - ending	<u><u>\$ 1,684,643</u></u>

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



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**I. Summary of significant accounting policies**

The financial statements of the City of Kelso have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**A. Reporting Entity**

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

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

**B. Government-wide and fund financial statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs for centralized services are included in program expenses reported for individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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

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

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

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the city.

The City reports the following major governmental funds:

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

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

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/sewer enterprise fund, the solid waste enterprise fund, the stormwater drainage enterprise fund and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all State sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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

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

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

***1. Deposits and investments***

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

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

Investments Measured at Amortized Cost

As of December 31, 2023, the city has \$31,105,544 invested in the Washington State Treasurer's Investment Pool. These investments are reported at amortized cost. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB for external investment pools who wish to measure all of its investments at amortized cost.

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

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

As of December 31, 2023, all of the City's Investments were in the Washington State Treasurer's Investment Pool.



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

***2. Receivables and payables***

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided, as well as, court ordered fines. Taxes receivable consist of property, sales, and utility taxes and related interest and penalties (See Note V.B.). Special assessments consist of assessments which are recorded when levied and are liens against the property benefited. There are no delinquent special assessments as of December 31, 2023.

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

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

***3. Inventories***

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

***4. Restricted assets***

Certain proceeds of the City’s water/sewer fund revenue bonds, as well as, certain proceeds received from customers deposits for water service are classified as restricted assets.

The restricted assets of the enterprise funds consist of \$238,269 which is cash and investments held for 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



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	10 - 75
Improvements	10 - 75
Public domain infrastructure	10 - 75
System infrastructure	10 - 75
Vehicles	5 - 20
Office equipment	3 - 15
Computer equipment	3 - 10

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

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**6. Lease assets**

Lease assets are assets which the City leases for a term of more than one year and have an initial value in excess of \$5,000. The value of leases is determined by the net present value of the leases at the City's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

**7. Subscription-Based Information Technology Arrangement (SBITA) assets**

Subscription-based information technology arrangements (SBITA) are contracts that convey control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a term of more than one year and have an initial value in excess of \$5,000. The value of the intangible right-to-use subscription asset is determined by the net present value of future subscription payments at the City's incremental borrowing rate at the time of commencement of the arrangement, amortized over the term of the arrangement.

**8. Deferred outflows/inflows of resources**

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

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

**9. Compensated absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, comp-time, and sick pay benefits. All vacation, comp-time, and eligible sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation pay is payable up to 280 hours upon resignation, retirement or death.

**10. 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

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

***11. 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.

***12. Fund balance components***

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

- Non-spendable 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

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

remaining amounts within the fund that are not classified as non-spendable and are neither restricted nor committed. The City Council is the only body authorized to assign fund balances and can delegate that authority to other bodies or individuals.

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

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

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

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

**13. 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 \$(4,153,206) difference are as follows:

Bonds payable	\$(3,050,000)
Deferred charges/loss on issuance (to be amortized over life of debt)	16,607
Premium on G.O. Bond (to be amortized over life of debt)	(213,040)
Leases/SBITA's	(96,992)
Accrued interest payable	(9,518)
Compensated absences	(622,384)
Net asset retirement obligation	<u>(177,879)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(4,153,206)</u>

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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 \$78,825,927 difference are as follows:

Capital assets used in governmental fund operations	\$107,540,690
Less: Accumulated depreciation	<u>(28,714,763)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$78,825,927</u>

Another element of that reconciliation explains that “Net Pension and Total OPEB Assets or Liabilities are not considered to represent a financial resource or liability and, therefore, are not reported in the funds. The details of this \$(1,621,204) difference are as follows:

Total OPEB liability	\$(5,635,441)
Net pension liability	(272,270)
Net pension asset	3,275,424
Deferred inflows related to pensions	(1,101,349)
Deferred outflows related to OPEB	62,508
Deferred outflows related to pensions	<u>2,049,924</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$(1,621,204)</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 \$369,067 difference are as follows:

Property taxes receivable	\$ 64,594
Settlements receivable	236,528
Court ordered fines receivable – net	<u>67,945</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 369,067</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



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$289,602 difference are as follows:

Capital outlay	\$ 1,480,004
Depreciation/amortization expense	<u>(1,190,402)</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>\$ 289,602</u>

Another element of that reconciliation states that “Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(56,689) difference are as follows:

Property tax receivable	\$ 5,441
Settlements receivable	(49,668)
Court ordered fines	<u>(12,462)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ ( 56,689)</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 \$249,595 difference are as follows:

Principal repayments general obligation debt	\$ 310,000
Principal payments lease obligations	65,104
Principal payments SBITA obligations	25,258
Proceeds related to leases	(103,074)
Proceeds related to SBITA’s	(62,126)
Amortization of gain on the refunding of a bond	(3,321)
Amortization of bond premium	<u>17,754</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ 249,595</u>

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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 \$(98,297) difference are as follows:

Compensated absences	\$ (72,886)
Amortization of Asset Retirement Obligation	<u>( 25,411)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u>\$ (98,297)</u>

### III. Stewardship, compliance, and accountability

#### A. Budgetary information

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

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority plus one upon second reading of the proposed ordinance amending the budget. The 2023 budget was amended two times. Budget amounts shown in the fund financial statements include the original budget amounts plus the revised budget amounts approved by the City Council. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Kelso.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**B. Budgetary/GAAP basis reconciliation**

In accordance with GASB Statement No. 54, the City reclassified certain funds within the governmental fund types for reporting purposes. For budgetary and internal reporting, the City classifies its street, library, parks, façade, and Kelso station funds as special revenue funds. (See pages 96-106 for budget-to-actual comparisons). Under GASB 54, these funds do not meet the criteria to be classified as special revenue funds and are reported as part of the general fund in the basic financial statements, thus creating a basis difference. Basis differences arise when the budgetary basis of accounting differs from the basis of accounting applicable to fund types when reporting on operations in accordance with GAAP. This difference is comprised of the following in the general fund:

<b>Revenues:</b>	
Street fund	\$ 1,087,786
Library fund	710,079
Kelso Station fund	206,953
Parks Fund	911,863
<b>Expenditures:</b>	
Street fund	(923,665)
Library fund	(712,951)
Kelso Station fund	(208,150)
Parks Fund	<u>( 777,898)</u>
 Total General fund Basis difference	 <u>\$ 294,017</u>

**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, 2023 the City had the following deposits and investments:

Investment type	Maturities	Fair Value
<b>Cash</b>		
FDIC or WPDPC insured deposits		\$ 9,364,783
In-transit items		(436,200)
Held for Custodial Fund		( 13,517)
Petty cash on hand		<u>6,050</u>
<b>Total Cash</b>		<u>8,921,116</u>

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**Investments**

State Treasurer’s investment pool	< 90 days	31,105,544
Held for Custodial Fund	< 90 days	<u>(624,572)</u>
<b>Total investments</b>		<u>30,480,972</u>
<b>Total Cash, Cash Equivalents, Investments</b>		<u>\$ 39,402,088</u>

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk – Investments

For investments, this is the risk that in the event of the failure of a depository financial institution, the City would not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal investment

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

policy with regard to custodial credit risk, however, for all of 2023, the City's investments were in the Washington State Local Government Investment Pool.

Concentration of Credit Risk

The City's investment policy states that no more than 90% of the total portfolio may be invested in certificates of deposits, federal agency securities, or U.S. Treasuries. Further, no more than 25% of the total portfolio will be invested in obligations of the 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>	Arterial <u>Street</u>	Solid <u>Waste</u>	Water/ <u>Sewer</u>	Non- major Govt. <u>Funds</u>	Non- major Prop. <u>Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$2,059	\$ -	\$ -	\$ -	\$ 133	\$ -	\$2,192
Accounts	618	-	334	1,607	-	169	2,728
Special Assessments	-	2	-	-	-	-	2
Leases	710	-	-	-	-	-	710
Intergovernmental	102	250	-	-	-	-	352
Long-term notes	-	-	-	-	235	-	235
Net total receivables	<u>\$3,489</u>	<u>\$ 252</u>	<u>\$ 334</u>	<u>\$1,607</u>	<u>\$ 368</u>	<u>\$ 169</u>	<u>\$6,219</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)	\$ 64,594	\$ -
Delinquent Court ordered fines receivable (general fund)	67,945	-
Opioid settlement	236,528	-
Leases receivable	702,835	-
Grant received (general fund)	-	3,080,432
Special assessments not due yet (arterial street fund)	-	2,112
Total deferred/unearned revenue for governmental funds	<u>\$ 1,071,902</u>	<u>\$3,082,544</u>



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**C. Capital assets**

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	<u>Increases</u>	<u>Decreases</u>	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$26,266,032	\$ 37,271	\$ 77,000	\$26,226,303
Construction in progress	<u>6,554,532</u>	<u>1,219,479</u>	-	<u>7,774,011</u>
Total capital assets, not being depreciated	32,820,564	1,256,750	77,000	34,000,314
Capital assets, being depreciated:				
Buildings	12,024,337	-	-	12,024,337
Improvements other than buildings	11,218,533	-	-	11,218,533
Machinery and equipment	2,899,097	125,524	159,093	2,865,528
Infrastructure	<u>49,788,228</u>	<u>-</u>	<u>251,054</u>	<u>49,537,174</u>
Total capital assets being depreciated	<u>75,930,195</u>	<u>125,524</u>	<u>410,147</u>	<u>75,645,572</u>
Less accumulated depreciation for:				
Buildings	5,521,489	152,421	-	5,673,910
Improvements other than buildings	3,697,504	213,809	-	3,911,313
Machinery and equipment	1,913,512	202,355	99,511	2,016,356
Infrastructure	<u>18,289,491</u>	<u>702,231</u>	<u>251,054</u>	<u>18,740,668</u>
Total accumulated depreciation	<u>29,421,996</u>	<u>1,270,816</u>	<u>350,565</u>	<u>30,342,247</u>
Total capital assets, being depreciated, net	<u>46,508,199</u>	<u>(1,145,292)</u>	<u>59,582</u>	<u>45,303,325</u>
Right to use assets, being amortized:				
Buildings - Leases	56,005	103,074	56,005	103,074
Machinery and equipment Leases	31,761	-	-	31,761
SBITA asset	-	<u>62,126</u>	-	<u>62,126</u>
Total right to use assets being amortized	<u>87,766</u>	<u>165,200</u>	<u>56,005</u>	<u>196,961</u>
Less accumulated amortization for right to use assets:				
Buildings - Leases	51,722	51,525	56,005	47,242
Machinery and equipment - Leases	15,881	12,749	-	28,630
SBITA asset	-	<u>15,100</u>	-	<u>15,100</u>
Total accumulated amortization	<u>67,603</u>	<u>79,374</u>	<u>56,005</u>	<u>90,972</u>
Total right to use assets, being amortized, net	<u>20,163</u>	<u>85,826</u>	<u>-</u>	<u>105,989</u>
Governmental activities capital assets, net	<u>\$79,348,926</u>	<u>\$ 197,284</u>	<u>\$ 136,582</u>	<u>\$79,409,628</u>

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 274,779	\$ -	\$ -	\$ 274,779
Construction in progress	<u>844,981</u>	<u>2,482,915</u>	<u>636,386</u>	<u>2,691,510</u>
Total capital assets, not being depreciated	<u>1,119,760</u>	<u>2,482,915</u>	<u>636,386</u>	<u>2,966,289</u>
Capital assets, being depreciated:				
Buildings and structures	16,072,242	-	-	16,072,242
Improvements other than buildings	33,649,847	636,386	-	34,286,233
Machinery and equipment	<u>4,645,248</u>	<u>5,408</u>	-	<u>4,650,656</u>
Total capital assets being depreciated	<u>54,367,337</u>	<u>641,794</u>	-	<u>55,009,131</u>
Less accumulated depreciation for:				
Buildings and structures	4,152,329	321,379	-	4,473,708
Improvements other than buildings	14,323,879	556,723	-	14,880,602
Machinery and equipment	<u>2,920,711</u>	<u>172,341</u>	-	<u>3,093,052</u>
Total accumulated depreciation	<u>21,396,919</u>	<u>1,050,443</u>	-	<u>22,447,362</u>
Total capital assets, being depreciated, net	<u>32,970,418</u>	<u>(408,649)</u>	-	<u>32,561,769</u>
Right to use assets, being depreciated:				
SBITA asset	-	65,174	-	65,174
Total right to use assets being amortized	-	<u>65,174</u>	-	<u>65,174</u>
Less accumulated amortization for right to use assets:				
SBITA asset	-	-	-	-
Total right to use assets, being amortized, net	-	<u>65,174</u>	-	<u>65,174</u>
Business-type activities capital assets, net	<u>\$34,090,178</u>	<u>\$ 2,139,440</u>	<u>\$ 636,386</u>	<u>\$35,593,232</u>

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
General government	\$ 89,909
Security of persons and property	32,833
Transportation	807,187
Economic environment	3,444
Culture and recreation	257,029
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>159,788</u>
Total depreciation expense – governmental activities	<u>\$1,350,190</u>
Business-type activities:	
Water	\$ 589,528
Sewer	333,407
Storm water drainage	26,741
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>100,767</u>
Total depreciation expense – business-type activities	<u>\$1,050,443</u>

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of December 31, 2023 is as follows:

<b>Transfers:</b>			
<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor govt.	General Fund	100,000	Debt service
	Nonmajor govt.	16,000	Routine operating
	Nonmajor govt.	<u>434,035</u>	Debt service
<b>Total</b>		<b><u>\$ 550,035</u></b>	

**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%	\$ 945,000
Governmental activities – Roadway improvements	2.00% – 4.00%	<u>2,105,000</u>
		<b><u>\$3,050,000</u></b>

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

<u>Year ending</u> <u>December 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 320,000	\$ 114,210
2025	335,000	104,660
2026	335,000	94,630
2027	350,000	81,600
2028	370,000	67,990
2029-2033	920,000	197,400
2034-2038	<u>420,000</u>	<u>25,400</u>
Total	<b><u>\$3,050,000</u></b>	<b><u>\$ 685,890</u></b>

The City of Kelso was awarded a Drinking Water State Revolving Fund Loan (DWSRF) in the amount of \$4,529,850 for the replacement of a reservoir and the addition of a transmission line associated with the reservoir.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

Government loans outstanding at year-end are as follows:

<u>Issuance</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
2016 DWSRF – \$4,529,850	Business-type activities	1.50%	<u>\$3,075,364</u>
Total government loans			<u>\$3,075,364</u>

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

<u>Year ending</u> <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	256,280	46,131
2025	256,280	42,286
2026	256,280	38,442
2027	256,280	34,598
2028	256,280	30,753
2029-2033	1,281,402	96,105
2034-2038	<u>512,562</u>	<u>11,533</u>
Total	<u>\$3,075,364</u>	<u>\$ 299,848</u>

Revenue bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$5,405,000. Water/Sewer revenue bond covenants require that revenue available for debt service (defined as operating and nonoperating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 to 1. The City remains in compliance with that provision with a current ratio of 8.23 to 1 coverage. See page 125.

Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water/Sewer Refunding and Improvements	2.25 - 3.00%	<u>\$4,455,000</u>
		<u>\$4,455,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending</u> <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 340,000	\$ 130,988
2025	345,000	120,788
2026	360,000	110,438
2027	370,000	99,638
2028	380,000	88,538
2028-2032	1,490,000	274,538
2033-2037	815,000	114,337
2038-2042	<u>355,000</u>	<u>12,035</u>
Total	<u>\$4,455,000</u>	<u>\$ 951,300</u>

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,360,000	\$ -	\$ 310,000	\$ 3,050,000	\$ 320,000
G.O. bond premium	230,794	-	17,754	213,040	-
Compensated absences	549,498	622,384	549,498	622,384	155,596
Net Pension liability	312,038	-	39,768	272,270	-
Total OPEB liability	5,379,207	579,168	322,934	5,635,441	125,000
Leases	22,154	103,074	65,104	60,124	55,868
SBITA's	-	62,126	25,258	36,868	18,178
Asset retirement obligations	<u>203,291</u>	<u>-</u>	<u>-</u>	<u>203,291</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$10,056,982</u>	<u>\$1,366,752</u>	<u>\$1,330,316</u>	<u>\$10,093,418</u>	<u>\$ 674,642</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 4,780,000	\$ -	\$ 325,000	\$ 4,455,000	\$ 340,000
Revenue bond premium	485,401	-	27,092	458,309	-
Drinking Water State					
Revolving Fund	3,331,644	-	256,280	3,075,364	256,280
Compensated absences	96,353	98,428	96,353	98,428	24,607
Net Pension liability	208,026	-	26,512	181,514	-
SBITA's	-	65,174	-	65,174	22,370
Asset retirement obligations	<u>335,200</u>	<u>-</u>	<u>-</u>	<u>335,200</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 9,236,624</u>	<u>\$ 163,602</u>	<u>\$ 731,237</u>	<u>\$ 8,668,989</u>	<u>\$ 643,257</u>

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

Other Debt Disclosures

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

**F. Leases**

City as Lessor - Governmental

At December 31, 2023, the city has five lease receivables in which it is acting as Lessor. During 2023, the city recognized \$80,424 in lease principal payments and \$1,698 in lease interest revenue. For reporting purposes, these leases became effective



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

on January 1, 2022 and range from 46 to 187 months. Three of these leases are to telecommunications companies for land space to house cell phone towers. One of the leases is a land lease to a business that has put in a coffee shop. The fifth lease is for a building that houses the local Chamber of Commerce and visitor's center. The city is assuming the full extension periods will be used on all applicable leases.

The City's schedule of future payments included in the measurement of the lease receivable is as follows:

Year ending	Lease Receivables		
	Principal	Interest	Total
<u>December 31</u>			
2024	79,906	2,872	82,778
2025	77,134	3,949	81,083
2026	59,412	4,207	63,619
2027	60,481	5,291	65,772
2029-2033	261,783	38,097	299,880
2034-2038	<u>171,188</u>	<u>38,840</u>	<u>210,028</u>
Total	<u>\$ 709,904</u>	<u>\$ 93,256</u>	<u>\$ 803,160</u>

City as Lessee - Governmental

At December 31, 2023, the city has six leases in which it is acting as Lessee for office equipment and library space. Refer to Note I.E.5, Lease Assets, for information related to Right to Use assets accounted for through these leases.

The Governmental Activities has six leases, five for equipment and one for library space. The lease information is as follows:

Purpose	Period ending	Payment Periods
Copier	2/28/2024	Monthly
Copiers (4)	4/30/2024	Monthly
Library Space	1/31/2025	Monthly

The City's schedule of future payments included in the measurement of the lease liability is as follows:

Year ending	Lease Payables Govt. Activities		
	Principal	Interest	Total
<u>December 31</u>			
2024	\$ 55,868	\$ 2,213	\$ 58,081
2025	<u>4,256</u>	<u>244</u>	<u>4,500</u>
Total	<u>\$ 60,124</u>	<u>\$ 2,457</u>	<u>\$ 62,581</u>

**G. Subscription based information technology arrangements (SBITA)**

Pursuant to the guidance outlined by the Governmental Accounting Standards Board (GASB), a SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The city is lessee to various types of SBITA software. With the implementation of GASB Statement No. 96 Subscription-Based Information Technology Arrangements, effective the fiscal year ended December 31, 2023, the City determined that it currently has three arrangements that qualify as SBITA's and are summarized as follows:

SBITA's – Governmental Activities

On 01/01/2023, The City entered into a 46-month subscription for the use of Motorola Management Software. An initial subscription liability was recorded in the amount of \$54,761. As of 12/31/2023, the value of the subscription liability is \$36,868. The city is required to make annual fixed payments of \$19,216. The subscription has an interest rate of 2.8160%. The value of the right to use asset as of 12/31/2023 is \$54,761 with accumulated amortization of \$14,193. See Note IV.C.

On 08/18/2023, The City entered into a 36-month subscription for the use of WatchGuard Security Suite. An initial subscription liability was recorded in the amount of \$7,365. As of 12/31/2023, the value of the subscription liability is zero. The value of the right to use asset as of 12/31/2023 of \$7,365 with accumulated amortization of \$907. See Note IV.C.

Year ending <u>December 31</u>	<u>SBITA Payables Govt. Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 18,178	\$ 1,038	\$ 19,216
2025	<u>18,690</u>	<u>526</u>	<u>19,216</u>
Total	<u>\$ 36,868</u>	<u>\$ 1,564</u>	<u>\$ 38,432</u>

SBITA's - Proprietary

On 12/01/2023, the city entered into a 49-month subscription for the use of Asset Essential Plus. An initial subscription liability was recorded in the amount of \$65,174. As of 12/31/2023, the value of the subscription liability is \$65,174. The City's required to make annual payments ranging from \$14,506 to \$22,370. The subscription has an interest rate of 3.6657%. The value of the right to use asset as of 12/31/2023 is \$65,174 with zero accumulated amortization. See Note IV.C.

Year ending <u>December 31</u>	<u>SBITA Payables Prop. Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 22,370	\$ -	\$ 22,370
2025	12,806	1,700	14,506
2026	14,276	1,100	15,376
2027	<u>15,722</u>	<u>576</u>	<u>16,298</u>
Total	<u>\$ 65,174</u>	<u>\$ 3,376</u>	<u>\$ 68,550</u>

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**H. Construction Commitments**

The city has active construction projects as of December 31, 2023. At year end the city's significant commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Sewer Pump Station Replacement	\$ 902,137	\$ 2,073,565

**V. Other information**

**A. Risk management**

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

**Washington Cities Insurance Authority**

The City of Kelso is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 169 members.

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sub-limits. Automobile physical damage coverage is self-funded from the members' deductible to

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

\$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sub-limits.

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.

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, 2023, 264 cities/towns/non-city entities participate in the AWC Trust HCP.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, 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, 2023 was \$467,171. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris plans and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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 AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor’s office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (“GASB”). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110-WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor’s office.

**Unemployment Insurance**

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

2023	\$ 0
2022	\$ 101
2021	\$11,743

**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.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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.

The City's regular levy for 2023 was \$1.2557 per \$1,000 on an assessed valuation of \$1,334,248,813 for a total regular levy of \$1,675,308.

**C. 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.

**D. 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

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

services to the citizenry of the respective participating entities. Financing of the central sewage facility is funded based on each participant's proportionate share of flow to the facility along with additional funds forwarded from the participants as system development charges are assessed to new customers. During 2023, The City of Kelso paid TRRWA a total of \$2,391,241. This agreement may not be terminated as long as there are debt obligations of the TRRWA. Upon termination, each participant's interest in the net position shall be equal to their proportionate share of payments over the previous 12 calendar months. The city does not have an equity interest in the TRRWA beyond the termination agreement. Financial statements for the TRRWA can be obtained from the City of Longview at, 1525 Broadway, Longview, WA 98632.

**E. 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 2023, 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, 2023, 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.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**F. Related Party**

In January, 2019, the Cowlitz 911 Public Authority was formed to facilitate the public function of providing 911 emergency and non-emergency communications and dispatch services including an emergency communications system, and perform other system related functions. Representatives from the cities of Longview and Kelso, Longview police and fire, Cowlitz 2 Fire and Rescue, Cowlitz County Sheriff, a county commissioner, and representatives from small fire and police agencies make up the nine-member Board of Directors that oversee the center. The City of Kelso contributed \$200,425 toward the costs of services provided by Cowlitz 911 in 2023. Financial statements for Cowlitz 911 may be obtained by inquiry through the Cowlitz County Auditor's Office at 207 North Fourth Avenue, Kelso, WA 98626.

**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 2023:

<u>Aggregate Pension Amounts – All Plans</u>	
OPEB liabilities	\$ (5,635,441)
Deferred outflows of resources	\$ 62,508
OPEB expenditures	\$ 579,168

*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, 2023 there are 12 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 \$120,742 were recognized for post-retirement health care.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

*Total OPEB Liability.* The City has elected to calculate the total OPEB liability using the alternative measurement method permitted by GASB Statement 75 for employers with plans that have fewer than one hundred total plan members. The City’s total OPEB liability of \$5,635,441 was measured as of June 30, 2023, 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, 2023 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 2022 LEOFF 1 OPEB Actuarial Valuation Report published by the Washington State Actuary’s Office:

- **Inflation:** 2.75 percent
- **Discount rate:** 3.65 percent
- **Healthcare cost trend rates:** The medical costs rate is approximately 4.5% and varies by year. Long-term care is 4.75%. Medicare Part B premiums is approximately 5.0% and varies by year.

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

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

Mortality rates are consistent with those presented in the 2019 Actuarial Valuation Report published by the Washington State Actuary’s Office which were updated during the 2013-18 Demographic Experience Study for the Washington State retirement systems.

**Sensitivity of the Total OPEB Liability**

*Healthcare Cost Trend Rate.* The following presents the total OPEB liability of the City of Kelso calculated using the current healthcare cost trend rate of 5.0 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 (4.0%) or 1-percentage point higher (6.0%) than the current rate.

	1% Decrease (4.0%)	Current Healthcare Cost Trend Rate (5.0%)	1% Increase (6.0%)
Total OPEB Liability	\$5,170,856	\$5,635,441	\$6,163,362



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

*Discount Rate.* The following presents the total OPEB liability of the City of Kelso calculated using the current discount rate of 3.65 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.65%) or 1-percentage point higher (4.65%) than the current rate.

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$6,201,416	\$5,635,441	\$5,148,541

**Change in the Total OPEB Liability**

	Total OPEB Liability
Balance at 6/30/2022	<u>\$ 5,379,207</u>
Changes for the year:	
Interest cost	184,758
Changes in Experience Data and Assumptions	394,410
Estimated Benefit payments	<u>(322,934)</u>
Net changes	<u>256,234</u>
Balance at 6/30/2023	<u>\$ 5,635,441</u>

Changes in experience data and assumptions reflect a change in the discount rate from 2.21 percent in 2022 to 3.65 percent in 2023.

Deferred outflows of resources of \$62,508 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, 2024.

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

The following table represents the aggregate pension amounts for all plans for the year 2023:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ (453,784)
Pension assets	\$ 3,696,424
Deferred outflows of resources	\$ 2,408,807
Deferred inflows of resources	\$ (1,359,211)
Pension expense/expenditures	\$ (156,718)

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**State Sponsored Pension Plans**

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

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

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

PERS members include elected officials; State employees; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	-
Administrative Fee	.18%	-
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>
July – August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	-
Administrative Fee	.18%	-
<b>Total</b>	<b>9.39%</b>	<b>6.00%</b>
September – December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	-
Administrative Fee	.20%	-
<b>Total</b>	<b>9.53%</b>	<b>6.00%</b>

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

<b>PERS Plan 2/3 (PERS 3 employee contribution rates vary)</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – June 2023		
PERS Plan 1	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	-
Administrative Fee	.18%	-
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>
July – August 2023		
PERS Plan 1	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	-
Administrative Fee	.18%	-
<b>Total</b>	<b>9.39%</b>	<b>6.36%</b>
September – December 2023		
PERS Plan 1	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	-
Administrative Fee	.20%	-
<b>Total</b>	<b>9.53%</b>	<b>6.36%</b>

The City’s actual plan contributions were \$121,492 to PERS Plan 1 and \$227,233 to PERS Plan 2/3 for the year ended December 31, 2023.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state’s full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

**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-paid consecutive 24 months 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 a COLA. 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 0%, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid 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 – 52, the reduction is 3% 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 a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

**LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – August 2023		
LEOFF Plan 2	5.12%	8.53%
Administrative Fee	.18%	-
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>
September – December 2023		
LEOFF Plan 2	5.12%	8.53%
Administrative Fee	.20%	-
<b>Total</b>	<b>5.32%</b>	<b>8.53%</b>

The City’s actual contributions to the plan were \$147,597 for the year ended December 31, 2023.

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, 2023, the State contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$93,219.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2013-2018 Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return:** 7.0%

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 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 7.0 percent was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

The table below summarizes the 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, 2023. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	<u>23%</u>	8.90%
	<b>100%</b>	

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

The table below presents the City’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 633,971	\$ 453,784	\$ 296,524
PERS 2/3	1,144,721	(1,052,501)	(2,857,657)
LEOFF 1	(968,884)	(1,092,678)	(1,200,027)
LEOFF 2	256,844	(1,551,245)	(3,031,011)

**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, 2023, the City reported a total pension liability of \$453,784 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 453,784
PERS 2/3	\$ (1,052,501)
LEOFF 1	\$ (1,092,678)
LEOFF 2	\$ (1,551,245)

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

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the city were as follows:

	<b>LEOFF 1 Asset</b>
LEOFF 1 – employer’s proportionate share	\$ (1,092,678)
LEOFF 1 – State’s proportionate share of the net pension liability/(asset) associated with the employer	<u>(7,390,847)</u>
<b>TOTAL</b>	<b><u>\$ (8,483,525)</u></b>
<hr/>	
	<b>LEOFF 2 Asset</b>
LEOFF 2 – employer’s proportionate share	\$ (1,551,245)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	<u>( 990,610)</u>
<b>TOTAL</b>	<b><u>\$ (2,541,855)</u></b>

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

Plan	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	% .018678	% .019879	% .001201
PERS 2/3	.024424	.025679	.001255
LEOFF 1	.036693	.036815	.000122
LEOFF 2	.063877	.064673	.000796

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary. The State of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

In fiscal year 2023, the State of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

**Pension Expense**

For the year ended December 31, 2023, the city recognized pension expense as follows:

<b>Plan</b>	<b>Pension Expense</b>
PERS 1	\$ 34,776
PERS 2/3	(113,878)
LEOFF 1	(99,072)
LEOFF 2	<u>21,456</u>
<b>TOTAL</b>	<b><u>\$(156,718)</u></b>

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

At December 31, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (51,189)
Contributions subsequent to the measurement date	<u>51,446</u>	<u>-</u>
<b>TOTAL PERS Plan 1</b>	<b><u>\$ 51,446</u></b>	<b><u>\$ (51,189)</u></b>
<b>PERS Plan 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 214,393	\$ (11,760)
Net difference between projected and actual investment earnings on pension plan investments	-	(396,646)
Changes of assumptions	441,876	( 96,312)
Changes in proportion and differences between contributions and proportionate share of contributions	77,971	(88,775)
Contributions subsequent to the measurement date	<u>111,522</u>	<u>-</u>
<b>TOTAL PERS Plan 2</b>	<b><u>\$ 845,762</u></b>	<b><u>\$ (593,493)</u></b>



CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

<b>LEOFF Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (72,455)
TOTAL LEOFF Plan 1	\$ -	\$ (72,455)
<b>LEOFF Plan 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 633,640	\$ (12,762)
Net difference between projected and actual investment earnings on pension plan investments	-	(328,240)
Changes in assumptions	396,260	(127,422)
Changes in proportion and differences between contributions and proportionate share of contributions	407,844	(173,650)
Contributions subsequent to the measurement date	73,855	-
TOTAL LEOFF Plan 2	\$ 1,511,599	\$(642,074)

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, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>	<b>PERS 2/3</b>	<b>LEOFF 1</b>	<b>LEOFF 2</b>
2024	\$ (34,827)	\$ (187,370)	\$ (49,677)	\$ (97,216)
2025	(43,799)	(245,247)	(62,339)	(150,222)
2026	27,006	331,525	38,671	316,860
2027	431	123,638	890	136,047
2028	-	118,936	-	148,164
Thereafter	-	(735)	-	442,037
<b>Total</b>	\$ (51,189)	\$ 140,747	\$ (72,455)	\$ 795,670

**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 five 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

CITY OF KELSO  
Notes to the Financial Statements  
December 31, 2023

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 \$539,000 with the investment portion held in the State investment pool as of December 31, 2023.

A recent actuarial survey has not been done because annual benefits are approximately \$56,000, the cash available to pay pension benefits is \$539,000 and the average age of current retirees is 85. 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 2023, the City received on behalf payments from taxes on fire insurance premiums in the amount of \$16,516.

**I. Subsequent Event**

On December 6, 2022, the city was awarded a loan from the State of Washington Aviation Division's revolving loan program to replace aging fuel tanks at the Soosouthwest Washington Regional Airport. The amount of the loan is \$1,200,000 with a 2% interest rate over 20 years. As of December 31, 2023, there have been zero drawdowns on this loan. As of the Date of this annual report, the city has drawn down \$286,054. (See related note at **V.E. Joint Venture**)

**City of Kelso**  
**Required Supplementary Information**

**Schedule of Employer Contributions**  
**Public Employees Retirement System Plan 1**  
**As of December 31, 2023**  
**Last Ten Fiscal Years**

Year Ended December 31,	Statutorily required contributions	Contributions in relation to the statorily required contributions**	Contribution deficiency (excess)	Covered Payroll*	Contributions as a percentage of covered payroll
2015	\$ 119,722	\$ (119,722)	\$ -	\$ 2,653,280	4.51%
2016	135,433	(135,433)	-	2,824,028	4.80%
2017	149,623	(149,623)	-	3,053,518	4.90%
2018	165,771	(165,771)	-	3,274,719	5.06%
2019	164,182	(164,182)	-	3,319,903	4.95%
2020	148,333	(148,333)	-	3,092,506	4.80%
2021	142,423	(142,423)	-	3,317,887	4.29%
2022	129,808	(129,808)	-	3,454,926	3.76%
2023	121,492	(121,492)	-	3,572,837	3.40%

**Schedule of Employer Contributions**  
**Public Employees Retirement System Plan 2/3**  
**As of December 31, 2023**  
**Last Ten Fiscal Years**

Year Ended December 31,	Statutorily required contributions	Contributions in relation to the statorily required contributions**	Contribution deficiency (excess)	Covered Payroll*	Contributions as a percentage of covered payroll
2015	\$ 146,061	\$ (146,061)	\$ -	\$ 2,593,780	5.63%
2016	175,210	(175,210)	-	2,812,358	6.23%
2017	209,473	(209,473)	-	3,053,518	6.86%
2018	244,652	(244,652)	-	3,274,719	7.47%
2019	256,283	(256,283)	-	3,319,903	7.72%
2020	244,927	(244,927)	-	3,092,506	7.92%
2021	237,013	(237,013)	-	3,317,887	7.14%
2022	219,734	(219,734)	-	3,454,926	6.36%
2023	227,233	(227,233)	-	3,572,837	6.36%

**Schedule of Employer Contributions**  
**Law Enforcement Officers and Fire Fighters Retirement Plan 2**  
**As of December 31, 2023**  
**Last Ten Fiscal Years**

Year Ended December 31,	Statutorily required contributions	Contributions in relation to the statorily required contributions**	Contribution deficiency (excess)	Covered Payroll*	Contributions as a percentage of covered payroll
2015	\$ 110,458	\$ (110,458)	\$ -	\$ 2,187,286	5.05%
2016	121,594	(121,594)	-	2,407,794	5.05%
2017	128,018	(128,018)	-	2,485,109	5.15%
2018	131,270	(131,270)	-	2,452,607	5.35%
2019	134,931	(134,931)	-	2,541,980	5.31%
2020	136,101	(136,101)	-	2,599,613	5.24%
2021	140,215	(140,215)	-	2,682,185	5.23%
2022	145,445	(145,445)	-	2,789,559	5.21%
2023	147,597	(147,597)	-	2,865,826	5.15%

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.

**City of Kelso**  
**Required Supplementary Information**

**Schedule of Proportionate Share of the Net Pension Liability (Asset)**  
**Public Employees Retirement System Plan 1**  
**As of June 30, 2023**  
**Last Ten Fiscal Years**

Year Ended December 31,	Employer's proportion of net pension liability/asset	Employer's proportionate share of net pension liability (asset)	Covered Payroll*	Employer's proportionate share of net pension liability/asset as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability/asset
2015	0.023210%	\$ 1,214,099	\$ 2,609,568	46.52%	59.10%
2016	0.022776%	1,223,179	2,691,098	45.45%	57.03%
2017	0.023545%	1,117,229	2,986,773	37.41%	61.24%
2018	0.025809%	1,152,639	3,190,174	36.13%	63.22%
2019	0.021371%	821,791	3,276,484	25.08%	67.12%
2020	0.021408%	755,818	3,213,903	23.52%	68.64%
2021	0.022463%	274,326	3,198,419	8.58%	88.74%
2022	0.018678%	520,064	3,375,834	15.41%	76.56%
2023	0.019879%	453,784	3,554,705	12.77%	80.16%

**Schedule of Proportionate Share of the Net Pension Liability (Asset)**  
**Public Employees Retirement System Plan 2/3**  
**As of June 30, 2023**  
**Last Ten Fiscal Years**

Year Ended December 31,	Employer's proportion of net pension liability/asset	Employer's proportionate share of net pension liability (asset)	Covered Payroll*	Employer's proportionate share of net pension liability/asset as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability/asset
2015	0.028465%	\$ 1,017,071	2,549,530	39.89%	89.20%
2016	0.028007%	1,410,130	2,649,405	53.22%	85.82%
2017	0.030285%	1,052,259	2,986,773	35.23%	90.97%
2018	0.033002%	563,480	3,190,174	17.66%	95.77%
2019	0.027583%	267,925	3,276,484	8.18%	97.77%
2020	0.027714%	354,446	3,213,903	11.03%	97.22%
2021	0.028870%	(2,875,917)	3,198,419	89.92%	120.29%
2022	0.024424%	(905,833)	3,375,834	26.83%	106.73%
2023	0.025679%	(1,052,501)	3,554,705	29.61%	107.02%

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.

**Schedule of Proportionate Share of the Net Pension Liability (Asset)  
Law Enforcement Officers and Fire Fighters Retirement Plan 1  
As of June 30, 2023  
Last Ten Fiscal Years**

Year Ended December 31,	Employer's proportion of net pension liability/(asset)	Employer's proportionate share of net pension liability/(asset)	State's proportionate share of net pension liability (asset)	Total	Covered Payroll*	Employer's proportionate share of net pension liability/(asset) as a % of covered payroll	Plan fiduciary net position as a % of total pension liability/(asset)
2015	0.042208%	\$ (508,700)	\$ -	\$ (508,700)	\$ -	N/A	127.36%
2016	0.042555%	(438,438)	-	(438,438)	-	N/A	123.74%
2017	0.041694%	(632,590)	-	(632,590)	-	N/A	135.96%
2018	0.042411%	(769,973)	(5,208,075)	(5,978,048)	-	N/A	144.42%
2019	0.041496%	(820,215)	(5,547,911)	(6,368,126)	-	N/A	148.78%
2020	0.040699%	(768,604)	(5,198,820)	(5,967,424)	-	N/A	146.88%
2021	0.037947%	(1,299,898)	(8,792,478)	(10,092,376)	-	N/A	187.45%
2022	0.036693%	(1,052,580)	(7,119,626)	(8,172,206)	-	N/A	169.62%
2023	0.036815%	(1,092,678)	(7,390,847)	(8,483,525)	-	N/A	175.99%

**Schedule of Proportionate Share of the Net Pension Liability (Asset)  
Law Enforcement Officers and Fire Fighters Retirement Plan 2  
As of June 30, 2023  
Last Ten Fiscal Years**

Year Ended December 31,	Employer's proportion of net pension liability/asset	Employer's proportionate share of net pension liability/(asset)	State's proportionate share of net pension liability (asset)	Total	Covered Payroll*	Employer's proportionate share of net pension liability/(asset) as a % of covered payroll	Plan fiduciary net position as a % of total pension liability/(asset)
2015	0.072194%	\$ (742,010)	\$ (490,624.00)	\$ (1,232,634)	\$ 2,120,860	34.99%	111.67%
2016	0.075802%	(440,887)	(287,426)	(728,313)	2,294,917	19.21%	106.04%
2017	0.077629%	(1,077,239)	(698,785)	(1,776,024)	2,439,577	44.16%	113.36%
2018	0.082534%	(1,675,620)	(1,084,932)	(2,760,552)	2,503,122	66.94%	118.50%
2019	0.066839%	(1,548,454)	(1,014,030)	(2,562,484)	2,495,368	62.05%	119.43%
2020	0.067139%	(1,369,538)	(875,716)	(2,245,254)	2,522,992	54.28%	115.83%
2021	0.075938%	(4,410,793)	(2,845,443)	(7,256,236)	2,655,371	166.11%	142.00%
2022	0.063877%	(1,735,984)	(1,124,533)	(2,860,517)	2,765,126	62.78%	116.09%
2023	0.064673%	(1,551,245)	(990,610)	(2,541,855)	2,824,535	54.92%	113.17%

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 Changes in OPEB Liability and Related Ratios**  
**As of June 30, 2023**  
**Last Ten Fiscal Years**

Year Ended June 30,	Interest	Changes in experience data and assumptions	Estimated benefit payments	Net change in total OPEB liability	Total OPEB liability beginning	Total OPEB liability ending
2018	\$ 213,947	\$ (187,842)	\$ (251,437)	\$ (225,332)	\$ 6,100,792	\$ 5,875,460
2019	223,278	450,600	(214,013)	459,865	5,875,460	6,335,325
2020	216,071	(308,016)	(326,559)	(418,504)	6,335,325	5,916,821
2021	127,607	288,716	(287,036)	129,287	5,916,821	6,046,108
2022	127,286	(486,064)	(308,123)	(666,901)	6,046,108	5,379,207
2023	184,758	394,410	(322,934)	256,234	5,379,207	5,635,441

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

**CITY OF KELSO  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2023**

Other Postemployment Benefits Other Than Pensions

Changes in experience data and assumptions reflect a change in the discount rate from 2.21 percent in 2022 to 3.65 percent in 2023.

Deferred outflows of resources of \$62,508 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, 2024.

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

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

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

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

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

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

HUD Grant Fund – this 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.

Transportation Benefit District Fund – This fund 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, 2023**

	Special Revenue				
	Paths/ Trails	Stadium	Highlander Festival	HUD Block Grant	Transportation Benefit District
<b>Assets</b>					
Cash & cash equivalents	\$ 9,064	\$ 237,424	\$ 11,360	\$ 432,243	\$ 288,684
Receivables (net)					
Assessments/taxes	-	25,563	-	-	96,999
Long-term notes receivable	-	-	-	234,541	-
Total Assets	<u>9,064</u>	<u>262,987</u>	<u>11,360</u>	<u>666,784</u>	<u>385,683</u>
<b>Liabilities</b>					
Accounts payable	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>					
Restricted for:					
Paths and trails	9,064	-	-	-	-
Promotion of tourism	-	193,745	-	-	-
Housing/neighborhood rehabilitation	-	-	-	199,318	-
Street maintenance/construction	-	-	-	-	385,683
Capital projects	-	-	-	-	-
Assigned to:					
Debt service	-	-	-	-	-
Other purposes	-	69,242	11,360	467,466	-
Total Fund Balance	<u>9,064</u>	<u>262,987</u>	<u>11,360</u>	<u>666,784</u>	<u>385,683</u>
Total Liabilities and Fund Balances	<u>\$ 9,064</u>	<u>\$ 262,987</u>	<u>\$ 11,360</u>	<u>\$ 666,784</u>	<u>\$ 385,683</u>

**City of Kelso**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2023**

	Total Non-Major Special Revenue Funds	Debt Service Non Voted G.O. Bond	Capital projects City Hall Fund	Total Non-Major Governmental Funds
<b>Assets</b>				
Cash & cash equivalents	\$ 978,775	\$ 194,263	\$ 384,420	\$ 1,557,458
Receivables (net)				
Assessments/taxes	122,562	-	10,242	132,804
Long-term notes receivable	234,541	-	-	234,541
Total Assets	<u>1,335,878</u>	<u>194,263</u>	<u>394,662</u>	<u>1,924,803</u>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted for:				
Paths and trails	9,064	-	-	9,064
Promotion of tourism	193,745	-	-	193,745
Housing/neighborhood rehabilitation	199,318	-	-	199,318
Street maintenance/construction	385,683	-	-	385,683
Capital projects	-	-	394,662	394,662
Assigned to:				
Debt service	-	194,263	-	194,263
Other purposes	548,068	-	-	548,068
Total Fund Balance	<u>1,335,878</u>	<u>194,263</u>	<u>394,662</u>	<u>1,924,803</u>
Total Liabilities and Fund Balances	<u>\$ 1,335,878</u>	<u>\$ 194,263</u>	<u>\$ 394,662</u>	<u>\$ 1,924,803</u>



**City of Kelso**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the fiscal year ended December 31, 2023**

	Special Revenue				
	Paths and Trails	Stadium	Highlander Festival	Hud Block Grant	Transportation Benefit District
<b>Revenues</b>					
Taxes	\$ -	\$ 221,802	\$ -	\$ -	\$ 550,352
Intergovernmental	1,179	-	-	-	-
Charges for services	-	-	16,297	-	-
Investment earnings	-	10,501	-	15,767	-
Contributions	-	-	2,600	-	-
Miscellaneous	-	84	1,307	318	-
Total revenues	<u>1,179</u>	<u>232,387</u>	<u>20,204</u>	<u>16,085</u>	<u>550,352</u>
<b>Expenditures</b>					
Culture and recreation	-	78,843	35,985	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>78,843</u>	<u>35,985</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,179</u>	<u>153,544</u>	<u>(15,781)</u>	<u>16,085</u>	<u>550,352</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	16,000	-	-
Transfers out	-	(116,000)	-	-	(221,850)
Total other financing sources (uses)	<u>-</u>	<u>(116,000)</u>	<u>16,000</u>	<u>-</u>	<u>(221,850)</u>
Net change in fund balances	1,179	37,544	219	16,085	328,502
Fund balances - beginning	7,885	225,443	11,141	650,699	57,181
Fund balances - ending	<u>\$ 9,064</u>	<u>\$ 262,987</u>	<u>\$ 11,360</u>	<u>\$ 666,784</u>	<u>\$ 385,683</u>

**City of Kelso**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the fiscal year ended December 31, 2023**

	Total Non-Major Special Revenue Funds	Debt Service	Capital Projects	Total Non-Major Governmental Funds
		Non-Voted G.O. Bond	City Hall Fund	
<b>Revenues</b>				
Taxes	\$ 772,154	\$ -	\$ 213,049	\$ 985,203
Intergovernmental	1,179	-	-	1,179
Charges for services	16,297	-	-	16,297
Investment earnings	26,268	974	16,788	44,030
Contributions	2,600	-	-	2,600
Miscellaneous	1,709	-	-	1,709
Total revenues	<u>820,207</u>	<u>974</u>	<u>229,837</u>	<u>1,051,018</u>
<b>Expenditures</b>				
Culture and recreation	114,828	-	-	114,828
Debt service:				
Principal	-	310,000	-	310,000
Interest and fiscal charges	-	123,235	-	123,235
Total expenditures	<u>114,828</u>	<u>433,235</u>	<u>-</u>	<u>548,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>705,379</u>	<u>(432,261)</u>	<u>229,837</u>	<u>502,955</u>
<b>Other financing sources (uses)</b>				
Transfers in	16,000	434,035	-	450,035
Transfers out	(337,850)	-	(212,185)	(550,035)
Total other financing sources (uses)	<u>(321,850)</u>	<u>434,035</u>	<u>(212,185)</u>	<u>(100,000)</u>
Net change in fund balances	383,529	1,774	17,652	402,955
Fund balances - beginning	952,349	192,489	377,010	1,521,848
Fund balances - ending	<u>\$ 1,335,878</u>	<u>\$ 194,263</u>	<u>\$ 394,662</u>	<u>\$ 1,924,803</u>

**City of Kelso**  
**Street Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 760,000	\$ 760,000	\$ 760,000	\$ -
Intergovernmental	262,500	262,500	251,045	(11,455)
Charges for services	5,000	5,000	5,986	986
Investment earnings	9,000	9,000	34,942	25,942
Rental/lease income	22,000	22,000	21,476	(524)
Miscellaneous	15,000	15,000	14,337	(663)
Total revenues	<u>1,073,500</u>	<u>1,073,500</u>	<u>1,087,786</u>	<u>14,286</u>
<b>Expenditures</b>				
Transportation	1,141,000	1,201,000	911,077	289,923
Capital outlay	20,000	20,000	12,588	7,412
Total expenditures	<u>1,161,000</u>	<u>1,221,000</u>	<u>923,665</u>	<u>297,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,500)</u>	<u>(147,500)</u>	<u>164,121</u>	<u>311,621</u>
Fund balances - beginning	779,212	779,212	779,212	-
Fund balances - ending	<u>\$ 691,712</u>	<u>\$ 631,712</u>	<u>\$ 943,333</u>	<u>\$ 311,621</u>

**City of Kelso**  
**Library Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 589,000	\$ 589,000	\$ 589,000	\$ -
Charges for services	7,500	7,500	5,129	(2,371)
Fines	1,000	1,000	454	(546)
Investment earnings	10,000	10,000	12,420	2,420
Miscellaneous	-	-	2	2
Total revenues	<u>607,500</u>	<u>607,500</u>	<u>607,005</u>	<u>(495)</u>
<b>Expenditures</b>				
Culture and recreation	660,500	660,500	609,877	50,623
Capital outlay	<u>47,000</u>	<u>47,000</u>	<u>103,074</u>	<u>(56,074)</u>
Total expenditures	<u>707,500</u>	<u>707,500</u>	<u>712,951</u>	<u>(5,451)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(105,946)</u>	<u>(5,946)</u>
<b>Other financing sources (uses)</b>				
Proceeds from lease financing	-	-	103,074	103,074
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>103,074</u>	<u>103,074</u>
Net change in fund balances	<u>(100,000)</u>	<u>(100,000)</u>	<u>(2,872)</u>	<u>97,128</u>
Fund balances - beginning	396,829	396,829	396,829	-
Fund balances - ending	<u>\$ 296,829</u>	<u>\$ 296,829</u>	<u>\$ 393,957</u>	<u>\$ 97,128</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 1,000	\$ 1,000	\$ 2,779	\$ 1,779
Rental/lease income	28,900	28,900	25,174	(3,726)
Miscellaneous	1,000	1,000	-	(1,000)
Total revenues	<u>30,900</u>	<u>30,900</u>	<u>27,953</u>	<u>(2,947)</u>
<b>Expenditures</b>				
Transportation	681,900	761,900	208,150	553,750
Total expenditures	<u>681,900</u>	<u>761,900</u>	<u>208,150</u>	<u>553,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(651,000)</u>	<u>(731,000)</u>	<u>(180,197)</u>	<u>550,803</u>
<b>Other financing sources (uses)</b>				
Transfers in	651,000	651,000	179,000	(472,000)
Total other financing sources (uses)	<u>651,000</u>	<u>651,000</u>	<u>179,000</u>	<u>(472,000)</u>
Net change in fund balances	-	(80,000)	(1,197)	78,803
Fund balances - beginning	76,854	76,854	76,854	-
Fund balances - ending	<u>\$ 76,854</u>	<u>\$ (3,146)</u>	<u>\$ 75,657</u>	<u>\$ 78,803</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 330,000	\$ 330,000	\$ 330,000	\$ -
Intergovernmental	-	-	301,191	301,191
Charges for services	11,000	11,000	4,128	(6,872)
Investment earnings	2,000	2,000	1,165	(835)
Contributions	-	-	44,083	44,083
Rental/lease income	48,000	48,000	51,491	3,491
Miscellaneous	15,000	15,000	79,805	64,805
Total revenues	<u>406,000</u>	<u>406,000</u>	<u>811,863</u>	<u>405,863</u>
<b>Expenditures</b>				
Culture and recreation	476,000	476,000	476,355	(355)
Capital outlay	1,780,000	1,780,000	280,317	1,499,683
Debt Service:				
Interest	-	-	21,226	(21,226)
Total expenditures	<u>2,256,000</u>	<u>2,256,000</u>	<u>777,898</u>	<u>1,478,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,850,000)</u>	<u>(1,850,000)</u>	<u>33,965</u>	<u>1,883,965</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,850,000	1,850,000	100,000	(1,750,000)
Total other financing sources (uses)	<u>1,850,000</u>	<u>1,850,000</u>	<u>100,000</u>	<u>(1,750,000)</u>
Net change in fund balances	-	-	133,965	133,965
Fund balances - beginning	(204,539)	(204,539)	(204,539)	-
Fund balances - ending	<u>\$ (204,539)</u>	<u>\$ (204,539)</u>	<u>\$ (70,574)</u>	<u>\$ 133,965</u>

**City of Kelso**  
**Paths and Trails Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 1,300	\$ 1,300	\$ 1,179	\$ (121)
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>1,179</u>	<u>(121)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,300</u>	<u>1,300</u>	<u>1,179</u>	<u>(121)</u>
Net change in fund balances	<u>1,300</u>	<u>1,300</u>	<u>1,179</u>	<u>(121)</u>
Fund balances - beginning	7,885	7,885	7,885	-
Fund balances - ending	<u>\$ 9,185</u>	<u>\$ 9,185</u>	<u>\$ 9,064</u>	<u>\$ (121)</u>

**City of Kelso**  
**Stadium Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 221,802	\$ 21,802
Investment earnings	4,500	4,500	10,501	6,001
Miscellaneous	100	100	84	(16)
Total revenues	<u>204,600</u>	<u>204,600</u>	<u>232,387</u>	<u>27,787</u>
<b>Expenditures</b>				
Culture and recreation	<u>78,529</u>	<u>78,529</u>	<u>78,843</u>	<u>(314)</u>
Total expenditures	<u>78,529</u>	<u>78,529</u>	<u>78,843</u>	<u>(314)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>126,071</u>	<u>126,071</u>	<u>153,544</u>	<u>27,473</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(116,000)</u>	<u>4,000</u>
Total other financing sources (uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(116,000)</u>	<u>4,000</u>
Net change in fund balances	6,071	6,071	37,544	31,473
Fund balances - beginning	<u>225,443</u>	<u>225,443</u>	<u>225,443</u>	<u>-</u>
Fund balances - ending	<u>\$ 231,514</u>	<u>\$ 231,514</u>	<u>\$ 262,987</u>	<u>\$ 31,473</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 17,200	\$ 17,200	\$ 16,297	\$ (903)
Contributions	-	-	2,600	2,600
Miscellaneous	1,000	1,000	1,307	307
Total revenues	<u>18,200</u>	<u>18,200</u>	<u>20,204</u>	<u>2,004</u>
<b>Expenditures</b>				
Culture and recreation	<u>38,200</u>	<u>38,200</u>	<u>35,985</u>	<u>2,215</u>
Total expenditures	<u>38,200</u>	<u>38,200</u>	<u>35,985</u>	<u>2,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(15,781)</u>	<u>4,219</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>16,000</u>	<u>(4,000)</u>
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>16,000</u>	<u>(4,000)</u>
Net change in fund balances	-	-	219	219
Fund balances - beginning	11,141	11,141	11,141	-
Fund balances - ending	<u>\$ 11,141</u>	<u>\$ 11,141</u>	<u>\$ 11,360</u>	<u>\$ 219</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 6,000	\$ 6,000	\$ 15,767	\$ 9,767
Miscellaneous	-	-	318	318
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>16,085</u>	<u>10,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,000</u>	<u>6,000</u>	<u>16,085</u>	<u>10,085</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	-	60,000
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	-	60,000
Net change in fund balances	<u>(54,000)</u>	<u>(54,000)</u>	16,085	70,085
Fund balances - beginning	650,699	650,699	650,699	-
Fund balances - ending	<u>\$ 596,699</u>	<u>\$ 596,699</u>	<u>\$ 666,784</u>	<u>\$ 70,085</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 205,000	\$ 205,000	\$ 550,352	\$ 345,352
Total revenues	<u>205,000</u>	<u>205,000</u>	<u>550,352</u>	<u>345,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>205,000</u>	<u>205,000</u>	<u>550,352</u>	<u>345,352</u>
Net change in fund balances	<u>205,000</u>	<u>205,000</u>	<u>550,352</u>	<u>345,352</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(221,850)</u>	<u>(221,850)</u>	<u>(221,850)</u>	<u>-</u>
Total other financing sources (uses)	<u>(221,850)</u>	<u>(221,850)</u>	<u>(221,850)</u>	<u>-</u>
Net change in fund balances	<u>(16,850)</u>	<u>(16,850)</u>	<u>328,502</u>	<u>345,352</u>
Fund balances - beginning	<u>57,181</u>	<u>57,181</u>	<u>57,181</u>	<u>-</u>
Fund balances - ending	<u>\$ 40,331</u>	<u>\$ 40,331</u>	<u>\$ 385,683</u>	<u>\$ 345,352</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 974	\$ 974
Total revenues	<u>-</u>	<u>-</u>	<u>974</u>	<u>974</u>
<b>Expenditures</b>				
Debt service:				
Principal	310,000	310,000	310,000	-
Interest	124,035	124,035	123,235	800
Total expenditures	<u>434,035</u>	<u>434,035</u>	<u>433,235</u>	<u>800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(434,035)</u>	<u>(434,035)</u>	<u>(432,261)</u>	<u>1,774</u>
<b>Other financing sources (uses)</b>				
Transfers in	434,035	434,035	434,035	-
Total other financing sources (uses)	<u>434,035</u>	<u>434,035</u>	<u>434,035</u>	<u>-</u>
Net change in fund balances	-	-	1,774	1,774
Fund balances - beginning	192,489	192,489	192,489	-
Fund balances - ending	<u>\$ 192,489</u>	<u>\$ 192,489</u>	<u>\$ 194,263</u>	<u>\$ 1,774</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 225,000	\$ 225,000	\$ 213,049	\$ (11,951)
Investment earnings	2,750	2,750	16,788	14,038
Total revenues	<u>227,750</u>	<u>227,750</u>	<u>229,837</u>	<u>2,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>227,750</u>	<u>227,750</u>	<u>229,837</u>	<u>2,087</u>
<b>Other financing sources (uses)</b>				
Transfers out	(212,185)	(212,185)	(212,185)	-
Total other financing sources (uses)	<u>(212,185)</u>	<u>(212,185)</u>	<u>(212,185)</u>	<u>-</u>
Net change in fund balances	15,565	15,565	17,652	2,087
Fund balances - beginning	377,010	377,010	377,010	-
Fund balances - ending	<u>\$ 392,575</u>	<u>\$ 392,575</u>	<u>\$ 394,662</u>	<u>\$ 2,087</u>

# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	109
<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	115
<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	121
<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	126
<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	129
<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.

**This Page Left Blank Intentionally**

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental activities</b>										
Net investment in capital assets	\$ 57,203	\$ 56,455	\$ 56,985	\$ 56,850	\$ 59,025	\$ 62,845	\$ 66,459	\$ 72,897	\$ 75,746	\$ 76,041
Restricted	1,616	1,664	1,085	1,115	2,834	3,182	3,378	5,182	5,493	6,741
Unrestricted	4,481	4,680	5,496	6,086	2,850	2,688	5,124	7,717	9,340	10,621
<b>Total governmental activities net position</b>	<b>\$ 63,300</b>	<b>\$ 62,799</b>	<b>\$ 63,566</b>	<b>\$ 64,051</b>	<b>\$ 64,709</b>	<b>\$ 68,715</b>	<b>\$ 74,961</b>	<b>\$ 85,796</b>	<b>\$ 90,579</b>	<b>\$ 93,403</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 20,307	\$ 21,087	\$ 22,337	\$ 24,876	\$ 25,677	\$ 25,199	\$ 25,522	\$ 25,805	\$ 28,053	\$ 27,207
Restricted	597	603	478	479	478	366	3,022	95	325	522
Unrestricted	7,957	7,224	8,626	8,201	8,418	10,363	9,565	15,318	15,213	19,413
<b>Total business-type activities net position</b>	<b>\$ 28,861</b>	<b>\$ 28,914</b>	<b>\$ 31,441</b>	<b>\$ 33,556</b>	<b>\$ 34,573</b>	<b>\$ 35,928</b>	<b>\$ 38,109</b>	<b>\$ 41,218</b>	<b>\$ 43,591</b>	<b>\$ 47,142</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 77,510	\$ 77,542	\$ 79,322	\$ 81,726	\$ 84,702	\$ 88,044	\$ 91,981	\$ 98,702	\$ 103,799	\$ 103,248
Restricted	2,213	2,267	1,563	1,594	3,312	3,548	6,400	5,277	5,818	7,263
Unrestricted	12,438	11,904	14,122	14,287	11,268	13,051	14,689	23,035	24,553	30,034
<b>Total primary government net position</b>	<b>\$ 92,161</b>	<b>\$ 91,713</b>	<b>\$ 95,007</b>	<b>\$ 97,607</b>	<b>\$ 99,282</b>	<b>\$ 104,643</b>	<b>\$ 113,070</b>	<b>\$ 127,014</b>	<b>\$ 134,170</b>	<b>\$ 140,545</b>



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

Expenses	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental activities:</b>										
General government	\$ 1,916	\$ 1,963	\$ 2,201	\$ 2,355	\$ 2,331	\$ 2,255	\$ 2,516	\$ 2,091	\$ 2,746	\$ 2,891
Security of persons and property	4,609	4,608	5,134	5,392	4,661	5,505	5,022	4,642	5,338	6,286
Transportation	2,323	2,654	3,322	4,287	2,489	3,100	1,851	1,952	2,024	3,239
Economic environment	308	374	325	343	302	407	378	387	529	729
Culture and recreation	1,121	1,107	1,087	1,161	1,228	1,185	1,021	1,022	1,542	1,399
Interest on long-term debt	122	109	179	156	149	144	141	124	124	132
<b>Total governmental activities expenses</b>	<b>10,399</b>	<b>10,815</b>	<b>12,248</b>	<b>13,694</b>	<b>11,160</b>	<b>12,596</b>	<b>10,929</b>	<b>10,218</b>	<b>12,303</b>	<b>14,676</b>
<b>Business-type activities:</b>										
Water/Sewer	7,186	7,645	7,672	8,008	8,836	8,790	8,886	8,317	9,158	9,157
Solid waste	1,457	1,481	1,549	1,575	1,675	1,729	1,822	1,830	1,910	1,929
Storm water	556	715	609	665	678	717	527	461	769	608
<b>Total business-type activities expenses</b>	<b>9,199</b>	<b>9,841</b>	<b>9,830</b>	<b>10,248</b>	<b>11,189</b>	<b>11,236</b>	<b>11,235</b>	<b>10,608</b>	<b>11,837</b>	<b>11,694</b>
<b>Total primary government expenses</b>	<b>\$ 19,598</b>	<b>\$ 20,656</b>	<b>\$ 22,078</b>	<b>\$ 23,942</b>	<b>\$ 22,349</b>	<b>\$ 23,832</b>	<b>\$ 22,164</b>	<b>\$ 20,826</b>	<b>\$ 24,140</b>	<b>\$ 26,370</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 108	\$ 153	\$ 156	\$ 188	\$ 175	\$ 278	\$ 217	\$ 246	\$ 325	\$ 237
Security of persons and property	360	279	306	375	268	400	304	264	515	458
Transportation	532	655	599	577	412	416	476	475	488	534
Economic environment	163	76	160	145	156	371	224	452	431	616
Culture and recreation	140	94	99	99	97	115	84	101	137	177
Operating grants and contributions	172	317	192	261	514	787	851	249	207	659
Capital grants and contributions	3,525	663	1,460	601	2,584	3,356	4,123	7,383	2,283	1,083
<b>Total governmental activities program revenues</b>	<b>5,000</b>	<b>2,237</b>	<b>2,972</b>	<b>2,246</b>	<b>4,206</b>	<b>5,723</b>	<b>6,279</b>	<b>9,170</b>	<b>4,386</b>	<b>3,764</b>
<b>Business-type activities:</b>										
Charges for services:										
Water/Sewer	8,358	8,868	9,035	9,038	9,377	9,655	10,442	10,521	11,196	11,404
Solid waste	1,382	1,427	1,517	1,596	1,642	1,708	1,856	1,854	1,884	1,895
Storm water	623	714	762	803	844	878	843	833	816	812
Operating grants and contributions	75	7	25	44	6	152	135	126	158	132
Capital grants and contributions	112	-	1,144	165	146	-	17	375	-	320
<b>Total business-type activities program revenues</b>	<b>10,550</b>	<b>11,016</b>	<b>12,483</b>	<b>11,646</b>	<b>12,015</b>	<b>12,393</b>	<b>13,293</b>	<b>13,709</b>	<b>14,054</b>	<b>14,563</b>
<b>Total primary government program revenues</b>	<b>\$ 15,550</b>	<b>\$ 13,253</b>	<b>\$ 15,455</b>	<b>\$ 13,892</b>	<b>\$ 16,221</b>	<b>\$ 18,116</b>	<b>\$ 19,572</b>	<b>\$ 22,879</b>	<b>\$ 18,440</b>	<b>\$ 18,327</b>
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (5,399)	\$ (8,578)	\$ (9,276)	\$ (11,448)	\$ (6,954)	\$ (6,873)	\$ (4,650)	\$ (1,048)	\$ (7,917)	\$ (10,912)
Business-type activities	1,351	1,175	2,653	1,398	826	1,157	2,058	3,101	2,217	2,869
<b>Total primary government net expense</b>	<b>\$ (4,048)</b>	<b>\$ (7,403)</b>	<b>\$ (6,623)</b>	<b>\$ (10,050)</b>	<b>\$ (6,128)</b>	<b>\$ (5,716)</b>	<b>\$ (2,592)</b>	<b>\$ 2,053</b>	<b>\$ (5,700)</b>	<b>\$ (8,043)</b>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Revenues and other</b>										
<b>Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 1,206	\$ 1,243	\$ 1,280	\$ 1,300	\$ 1,506	\$ 1,530	\$ 1,577	\$ 1,608	\$ 1,603	\$ 1,672
Sales taxes	2,410	2,546	2,899	2,883	2,932	3,234	3,419	4,000	4,391	4,411
Utility taxes	2,809	3,099	3,265	3,320	3,358	3,366	3,424	3,424	3,723	3,727
Business taxes	821	875	944	945	986	1,009	949	1,143	1,137	1,402
Excise taxes	107	157	188	263	450	411	387	502	490	786
Penalties & interest	5	4	6	5	9	-	-	-	-	-
State entitlements	624	653	763	804	978	1,041	943	1,095	797	736
Investment earnings	37	55	51	93	142	189	58	20	186	830
Miscellaneous	93	68	631	286	75	99	115	91	363	136
Gain/(loss) on sale of capital assets	-	1	-	135	186	-	24	-	10	36
Transfers	-	-	17	-	(44)	-	-	-	-	-
Total governmental activities	<u>8,112</u>	<u>8,701</u>	<u>10,044</u>	<u>10,034</u>	<u>10,578</u>	<u>10,879</u>	<u>10,896</u>	<u>11,883</u>	<u>12,700</u>	<u>13,736</u>
Business-type activities:										
Investment earnings	13	18	23	70	148	198	56	8	156	682
Miscellaneous	-	4	1	-	-	-	-	-	-	-
Gain/(loss) on sale of capital assets	-	-	-	(264)	-	-	67	-	-	-
Transfers	-	-	(17)	-	44	-	-	-	-	-
Total business-type activities	<u>13</u>	<u>22</u>	<u>7</u>	<u>(194)</u>	<u>192</u>	<u>198</u>	<u>123</u>	<u>8</u>	<u>156</u>	<u>682</u>
Total primary government	<u>\$ 8,125</u>	<u>\$ 8,723</u>	<u>\$ 10,051</u>	<u>\$ 9,840</u>	<u>\$ 10,770</u>	<u>\$ 11,077</u>	<u>\$ 11,019</u>	<u>\$ 11,891</u>	<u>\$ 12,856</u>	<u>\$ 14,418</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 2,713	\$ 123	\$ 768	\$ (1,414)	\$ 3,624	\$ 4,006	\$ 6,246	\$ 10,835	\$ 4,783	\$ 2,824
Business-type activities	1,364	1,197	2,660	1,204	1,018	1,355	2,181	3,109	2,373	3,551
Total primary government	<u>\$ 4,077</u>	<u>\$ 1,320</u>	<u>\$ 3,428</u>	<u>\$ (210)</u>	<u>\$ 4,642</u>	<u>\$ 5,361</u>	<u>\$ 8,427</u>	<u>\$ 13,944</u>	<u>\$ 7,156</u>	<u>\$ 6,375</u>

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Utility Taxes</b>	<b>Business Taxes</b>	<b>Excise Taxes</b>
2014	\$ 1,206	\$ 2,410	\$ 2,809	\$ 821	\$ 107
2015	1,243	2,546	3,099	875	157
2016	1,280	2,899	3,265	944	188
2017	1,300	2,883	3,320	945	263
2018	1,506	2,932	3,358	986	450
2019	1,530	3,234	3,366	1,008	411
2020	1,577	3,419	3,424	949	387
2021	1,608	4,000	3,424	1,143	502
2022	1,603	4,391	3,723	1,137	490
2023	1,672	4,411	3,727	1,402	786

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General fund										
Restricted	\$ 100	\$ 92	\$ 118	\$ 119	\$ 103	\$ 354	\$ 440	\$ 775	\$ 893	\$ 1,048
Assigned	212	242	277	312	323	330	362	398	1,114	931
Unassigned	3,828	4,564	5,285	5,482	6,111	6,344	8,189	9,924	10,078	12,195
Total general fund	<u>\$ 4,140</u>	<u>\$ 4,898</u>	<u>\$ 5,680</u>	<u>\$ 5,913</u>	<u>\$ 6,537</u>	<u>\$ 7,028</u>	<u>\$ 8,991</u>	<u>\$11,097</u>	<u>\$12,085</u>	<u>\$14,174</u>
All other governmental funds										
Restricted	1,516	1,572	3,798	984	841	742	672	810	839	1,182
Assigned	2,032	2,105	2,607	2,867	3,445	2,924	3,093	2,751	3,440	3,138
Unassigned	(304)	(428)	(231)	(84)	-	-	-	(331)	-	-
Total all other governmental funds	<u>\$ 3,244</u>	<u>\$ 3,249</u>	<u>\$ 6,174</u>	<u>\$ 3,767</u>	<u>\$ 4,286</u>	<u>\$ 3,666</u>	<u>\$ 3,765</u>	<u>\$ 3,230</u>	<u>\$ 4,279</u>	<u>\$ 4,320</u>

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Taxes	\$ 7,361	\$ 7,928	\$ 8,655	\$ 8,859	\$ 9,254	\$ 9,544	\$ 9,776	\$10,677	\$11,339	\$11,993
Licenses and permits	203	131	174	191	169	284	205	342	230	514
Intergovernmental	5,588	1,361	2,739	1,121	3,872	5,197	5,859	7,470	4,675	2,649
Charges for services	1,008	1,268	1,311	1,141	1,246	1,375	1,398	1,608	1,835	1,528
Fines	119	106	98	105	138	169	155	145	104	97
Investment earnings	37	55	53	96	144	189	58	20	187	815
Contributions	-	55	65	35	4	23	32	15	4	51
Rental/lease income	104	105	112	118	113	106	101	110	114	111
Miscellaneous	110	84	655	257	83	115	114	91	78	186
<b>Total revenues</b>	<b>14,530</b>	<b>11,093</b>	<b>13,862</b>	<b>11,923</b>	<b>15,023</b>	<b>17,002</b>	<b>17,698</b>	<b>20,478</b>	<b>18,566</b>	<b>17,944</b>
<b>Expenditures</b>										
General government	2,169	2,390	2,712	2,984	3,070	3,086	3,323	3,302	3,794	3,714
Security of persons and property	4,271	4,386	4,808	5,114	5,120	5,205	5,309	5,300	5,737	6,095
Transportation	851	928	1,589	3,186	1,492	2,091	978	1,002	1,132	2,402
Economic environment	313	381	317	345	310	429	378	403	543	737
Culture and recreation	842	827	885	1,033	1,087	1,058	878	936	1,375	1,205
Capital outlay	3,883	1,192	2,926	1,183	3,098	4,823	4,324	7,531	3,592	1,480
Debt service										
Principal	317	140	305	270	270	280	290	295	305	310
Interest	101	86	185	171	164	159	156	139	139	144
<b>Total expenditures</b>	<b>12,747</b>	<b>10,330</b>	<b>13,727</b>	<b>14,286</b>	<b>14,611</b>	<b>17,131</b>	<b>15,636</b>	<b>18,908</b>	<b>16,617</b>	<b>16,087</b>
Excess of revenues over (under) expenditures	1,783	763	135	(2,363)	412	(129)	2,062	1,570	1,949	1,857
<b>Other financing sources (uses)</b>										
Transfers in	579	543	1,517	1,146	962	1,589	677	996	3,128	550
Transfers out	(579)	(543)	(1,500)	(1,146)	(1,006)	(1,589)	(677)	(996)	(3,128)	(550)
Proceeds from lease financing	-	-	-	-	-	-	-	-	88	165
Bonds issued	-	-	3,200	-	-	-	-	-	-	-
Premium on bonds issued	-	-	355	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	189	259	-	-	-	-	108
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>3,572</b>	<b>189</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88</b>	<b>273</b>
<b>Net change in fund balances</b>	<b>\$ 1,783</b>	<b>\$ 763</b>	<b>\$ 3,707</b>	<b>\$ (2,174)</b>	<b>\$ 627</b>	<b>\$ (129)</b>	<b>\$ 2,062</b>	<b>\$ 1,570</b>	<b>\$ 2,037</b>	<b>\$ 2,130</b>
Debt service as a percentage of noncapital expenditures*	4.72%	2.47%	4.54%	3.37%	3.77%	3.57%	3.94%	3.81%	3.41%	3.11%

\* 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)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Utility Taxes</b>	<b>Business Taxes</b>	<b>Other Taxes</b>	<b>Total</b>
2014	\$ 1,209	\$ 2,410	\$ 2,809	\$ 821	\$ 112	\$ 7,361
2015	1,247	2,546	3,099	875	161	7,928
2016	1,353	2,899	3,265	944	194	8,655
2017	1,255	2,883	3,320	945	456	8,859
2018	1,519	2,932	3,358	986	459	9,254
2019	1,525	3,234	3,366	1,008	411	9,544
2020	1,596	3,419	3,424	950	387	9,776
2021	1,608	4,000	3,424	1,143	502	10,677
2022	1,597	4,391	3,723	1,137	491	11,339
2023	1,667	4,411	3,727	1,402	786	11,993



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

Fiscal Year	Residential Property <sup>1</sup>	Non-Residential Property <sup>1</sup>	State Assessed Property <sup>1</sup>	Personal Property <sup>1</sup>	Real Property		Direct Tax Rate	Ratio of Assessed Value To Estimated Actual Value <sup>2</sup>
					Total Assessed Value <sup>1</sup>	Estimated Value		
2014	\$ 375,497	\$ 217,853	\$ 26,579	\$ 58,108	\$ 678,037	\$ 705,554	2.0557%	96.1%
2015	390,452	213,413	28,575	57,771	690,210	736,617	2.0467%	93.7%
2016	403,206	205,578	30,182	64,586	703,552	737,476	2.0612%	95.4%
2017	436,557	227,543	29,706	71,815	765,621	877,000	1.9237%	87.3%
2018	513,324	205,673	31,239	67,549	817,786	891,806	1.8485%	91.7%
2019	562,888	210,756	31,988	65,981	871,613	949,469	1.7642%	91.8%
2020	589,392	279,861	32,685	70,816	972,754	1,057,341	1.6289%	92.0%
2021	747,311	240,007	34,193	74,413	1,095,924	1,183,503	1.4683%	92.6%
2022	850,934	257,021	33,847	75,731	1,217,533	1,300,783	1.3214%	93.6%
2023	967,731	261,113	32,022	73,384	1,334,249	1,480,853	1.2557%	90.1%

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

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

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

<b>Fiscal Year</b>	<b>City Regular</b>	<b>Total City</b>	<b>School District</b>	<b>Port of Longview</b>	<b>Cowlitz County</b>	<b>State of Washington</b>	<b>Cowlitz 2 Fire District</b>	<b>Total</b>
2014	\$ 2.056	\$ 2.056	\$ 5.651	\$ 0.450	\$ 2.042	\$ 2.336	\$ 1.500	\$ 14.035
2015	2.047	2.047	5.619	0.450	2.140	2.282	1.500	14.038
2016	2.061	2.061	5.515	0.418	1.973	2.084	1.498	13.549
2017	1.924	1.924	5.290	0.344	1.916	2.137	1.803	13.412
2018	1.849	1.849	4.939	0.259	1.890	2.899	1.667	13.502
2019	1.764	1.764	4.418	0.239	1.734	2.597	1.535	12.287
2020	1.629	1.629	4.029	0.211	1.607	2.913	1.396	11.784
2021	1.468	1.468	4.371	0.195	1.581	2.850	1.282	11.747
2022	1.321	1.321	4.044	0.128	1.248	2.660	1.151	10.552
2023	1.256	1.256	3.530	0.050	1.105	2.387	1.508	9.835

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

**City of Kelso  
Principal Property Taxpayers  
December 31, 2023  
(amounts expressed in thousands)**

Taxpayer	2023			2014		
	Rank	Assessed Valuation	Percentage of Total Assessed Valuation	Rank	Assessed Valuation	Percentage of Total Assessed Valuation
Foster Farms	1	\$ 37,942	2.84%	1	\$ 28,835	4.18%
BNSF Railway	2	30,400	2.28%	4	13,069	1.89%
Three Rivers Village LLC	3	15,451	1.16%	2	19,781	2.87%
Segale Properties LLC	4	14,676	1.10%	3	14,664	2.12%
C & C Logging	5	14,139	1.06%	7	8,062	1.17%
Terry Moran Trust Etal	6	11,649	0.87%			
Brookhollow Partners LP	7	10,592	0.79%			
Summerwind Properties	8	10,132	0.76%			
JMK Limited Partnership	9	9,993	0.75%			
NWCC Riverway LLC	10	8,451	0.63%			
Dayton Hudson Corp	11	6,970	0.52%			
ALS Group USA Corp	12	6,660	0.50%	8	7,431	1.08%
Carroll Jerry & Delrae	13	6,519	0.49%			
Hadaller Logging	14	6,283	0.47%			
Storedahl Enterprises LLC	15	5,936	0.44%	9	6,995	1.01%
Safeway Inc.				5	10,314	1.49%
SW Paper				6	8,093	1.17%
Allen Street Investments				10	6,940	1.01%
		<u>\$ 195,793</u>	<u>14.66%</u>		<u>\$ 124,184</u>	<u>17.99%</u>

Source: Cowlitz County Assessor's Office

**City of Kelso  
Principal Utility Taxpayers  
December 31, 2023**

<u>Utility Tax Type</u>	<u>2023</u>			<u>2014</u>		
	<u>Rank</u>	<u>Tax</u>	<u>Percentage of Tax to Total</u>	<u>Rank</u>	<u>Tax</u>	<u>Percentage of Tax to Total</u>
Electricity*	1	\$ 770,982	20.69%	1	\$ 662,019	23.57%
Sewer*	2	619,087	16.61%	2	383,932	13.67%
Water*	3	486,903	13.06%	3	270,267	9.62%
Garbage*	4	190,612	5.11%	6	108,402	3.86%
Cable Television*	5	184,988	4.96%	5	115,378	4.11%
Telephone**	6	122,944	3.30%	4	251,686	8.96%
Natural Gas*	7	63,729	1.71%	7	67,265	2.39%
		<u>2,439,245</u>	<u>65.44%</u>		<u>1,858,949</u>	<u>66.17%</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**  
**(amounts expressed in thousands)**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Current Taxes Collected</b>	<b>Collections in Subsequent Years</b>	<b>Total Tax Collections</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Total Tax Levy</b>
2014	1,394	1,336	95.8%	58	1,394	100.00%	-	0.00%
2015	1,413	1,361	96.3%	52	1,413	100.00%	-	0.00%
2016	1,450	1,397	96.3%	53	1,450	100.00%	-	0.00%
2017	1,473	1,424	96.7%	49	1,473	100.00%	-	0.00%
2018	1,512	1,464	96.8%	48	1,512	100.00%	-	0.00%
2019	1,538	1,489	96.8%	49	1,538	100.00%	-	0.00%
2020	1,585	1,546	97.5%	39	1,585	100.00%	-	0.00%
2021	1,609	1,575	97.9%	24	1,599	99.38%	10	0.62%
2022	1,609	1,569	97.5%	25	1,594	99.07%	15	0.93%
2023	1,675	1,635	97.6%	-	1,635	97.61%	40	2.39%

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)

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>2</sup></u>
	<u>General Obligation Bonds</u>	<u>Miscellaneous Notes and Obligations</u>	<u>Water/Sewer Revenue Bonds</u>	<u>Miscellaneous Note and Obligations</u>			
2014	\$ 2,294	\$ -	\$ 4,441	\$ 1,284	\$ 8,019	1.76%	724
2015	2,175	-	4,285	1,097	7,557	1.57%	632
2016	5,744 *	-	4,085	909	10,738	2.16%	897
2017	5,120	-	3,880	972	9,972	1.94%	832
2018	4,832	-	3,665	4,332 **	12,829	2.36%	1,062
2019	4,534	-	3,440	4,409	12,383	2.18%	1,013
2020	4,226	-	5,945 ***	3,967	14,138	2.38%	1,146
2021	3,914	-	5,607	3,649	13,170	1.90%	1,035
2022	3,591	22	5,265	3,332	12,210	1.76%	958
2023	3,263	97	4,913	3,141	11,414	N/A	882

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

N/A - Information not available.

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

<sup>2</sup> See the schedule of Demographic and Economic Statistics on page 126 for personal income and population data.

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

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

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



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

<b>Fiscal Year</b>	<b>Assessed Value*<sub>1</sub></b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt</b>		<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property<sub>2</sub></b>	<b>Per Capita<sub>3</sub></b>
				<b>Service Fund</b>			
2014	\$ 678,037	\$ 2,294,356	-		\$ 2,294,356	0.33%	\$ 192
2015	690,210	2,175,000	-		2,175,000	0.30%	182
2016	703,552	5,407,314	-		5,407,314	0.73%	452
2017	765,621	5,119,561	-		5,119,561	0.58%	428
2018	817,786	4,831,807	-		4,831,807	0.54%	400
2019	871,613	4,534,054	-		4,534,054	0.48%	371
2020	972,754	4,226,301	-		4,226,301	0.40%	342
2021	1,095,924	3,913,547	-		3,913,547	0.33%	308
2022	1,217,553	3,590,794	-		3,590,794	0.28%	282
2023	1,334,249	3,263,040	-		3,263,040	0.22%	256

\*Amounts expressed in thousands

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

<sub>2</sub>See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Page 116 for property value data

<sub>3</sub>Population data can be found in the Schedule of Demographic and Economic Statistics on page 126.

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, 2023**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Direct:</b>			
City of Kelso	\$ 3,360,032	100%	\$ 3,360,032
<b>Overlapping:</b>			
Cowlitz County	22,300,000	7%	1,626,288
Kelso School District	82,171,885	39%	32,315,585
Port of Longview	3,750,000	10%	365,430
Cowlitz Fire District #2	7,545,554	27%	2,012,982
Subtotal, overlapping debt	115,767,439		36,320,284
Total direct and overlapping	<u>\$ 119,127,471</u>		<u>\$ 39,680,316</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.

† 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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 50,853	\$ 51,766	\$ 52,766	\$ 57,422	\$ 61,334	\$ 65,371	\$ 72,957	\$ 82,194	\$ 91,316	\$ 100,669
Total net debt applicable to limit	2,315	2,175	5,070	4,800	4,530	4,250	3,960	3,665	3,360	3,050
Legal debt margin	<u>\$ 48,538</u>	<u>\$ 49,591</u>	<u>\$ 47,696</u>	<u>\$ 52,622</u>	<u>\$ 56,804</u>	<u>\$ 61,121</u>	<u>\$ 68,997</u>	<u>\$ 78,529</u>	<u>\$ 87,956</u>	<u>\$ 97,619</u>
Total net debt applicable to the limit as a percentage of debt limit	4.55%	4.20%	9.61%	8.38%	7.39%	6.50%	5.43%	4.46%	3.68%	3.03%

**Legal Debt Margin Calculation for Fiscal Year 2023**

Assessed value	\$ 1,334,249
Debt limit (7.5% of total assessed value)	100,669
Debt applicable to limit:	
General obligation bonds	3,050
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>3,050</u>
Legal debt margin	<u>\$ 97,619</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**

<b>Fiscal Year</b>	<b>Water/Sewer Revenues<sup>1</sup></b>	<b>Less: Operating Expenses<sup>2</sup></b>	<b>Net Available Revenue</b>	<b>Debt Services<sup>3</sup></b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2014	\$ 8,280,269	\$ 6,092,495	\$ 2,187,774	\$ 195,000	\$ 216,772	5.31
2015	8,796,003	6,599,416	2,196,587	195,000	214,992	5.36
2016	8,978,127	6,675,819	2,302,308	200,000	167,381	6.27
2017	8,982,591	7,034,003	1,948,588	205,000	161,159	5.32
2018	9,433,897	7,883,278	1,550,619	215,000	152,380	4.22
2019	9,597,636	7,706,712	1,890,924	225,000	146,492	5.09
2020	9,693,151	7,662,913	2,030,238	225,000	136,569	5.62
2021	10,385,549	7,179,081	3,206,468	310,000	159,044	6.84
2022	11,172,055	7,906,143	3,265,912	315,000	150,188	7.02
2023	11,807,939	7,975,644	3,832,295	325,000	140,738	8.23

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

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

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

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

**Info available at County level only**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Per Capita</b>		<b>Unemployment Rate<sup>4</sup></b>	<b>School Enrollments<sup>3</sup></b>
		<b>Personal Income<sup>2</sup></b>	<b>Personal Income<sup>2</sup></b>		
2014	11,960	\$ 3,894,794	\$ 38,002	8.4%	4,974
2015	11,950	4,177,087	40,371	7.6%	4,951
2016	11,970	4,358,825	41,449	7.1%	5,030
2017	11,980	4,585,187	42,888	6.1%	5,045
2018	12,080	4,903,274	44,990	5.9%	4,941
2019	12,220	5,142,891	46,503	6.0%	4,992
2020	12,340	5,371,661	48,232	9.3%	4,662
2021	12,720	6,083,588	54,550	6.4%	4,836
2022	12,720	6,116,134	54,630	5.7%	4,766
2023	12,750	N/A	N/A	5.1%	4,966

N/A - information not available.

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

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

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

<sup>4</sup>Source: Bureau of Labor Statistics

Personal income amounts are expressed in thousands of dollars.

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

<b>Employer</b>	<b>2023</b>			<b>2014</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
PeaceHealth / St. John's Hospital	1,740	1	4.60%	1,650	1	4.10%
Weyerhaeuser	1,600	2	4.23%	1,539	3	3.80%
Longview Fibre / Westrock	975	3	2.58%	1,600	2	4.00%
Longview School District	813	4	2.15%	773	5	2.00%
Foster Farms	787	5	2.08%	707	6	1.80%
Kelso School District	734	6	1.94%	832	4	2.10%
Cowlitz County	619	7	1.64%	549	8	1.40%
Nippon Dynawave Packaging	539	8	1.43%			
Norpac	500	9	1.32%	450	10	1.10%
Lower Columbia College	434	10	1.15%			
Safeway Grocery				454	9	1.10%
JH Kelly, Inc.				600	7	1.50%
Total	<u>8,741</u>		<u>23.1%</u>	<u>9,154</u>		<u>22.9%</u>

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

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



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

<b>Function</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>General Government</b>										
Community Development	2.5	1.5	3.0	3.0	3.0	3.0	2.0	3.0	3.0	4.0
Finance	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
City Attorney	0.4	0.4	0.4	0.4	0.4	1.4	1.4	1.4	1.4	1.9
Admin.	2.0	2.0	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Engineering	4.1	4.6	5.0	5.0	4.0	5.0	5.0	5.0	5.0	5.0
Airport	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Public Safety</b>										
Police										
Officers	24.0	25.0	25.0	27.0	26.0	27.0	28.0	28.0	28.0	28.0
Civilians	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	5.0
<b>Highways &amp; Streets</b>										
Maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Traffic	1.3	1.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Culture and recreation</b>	6.3	7.0	7.0	7.0	8.0	6.0	7.0	7.0	7.0	7.0
<b>Water</b>	8.8	8.0	8.5	9.0	9.0	9.5	9.1	9.0	9.0	9.0
<b>Sewer</b>	6.8	6.0	6.5	7.0	7.0	7.5	6.9	7.0	7.0	7.0
<b>Drainage</b>	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Total</b>	<b>72.6</b>	<b>71.9</b>	<b>75.4</b>	<b>79.4</b>	<b>77.4</b>	<b>79.4</b>	<b>79.4</b>	<b>80.4</b>	<b>80.4</b>	<b>82.5</b>

Source: City Payroll Department

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

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Physical arrests	1,065	1,227	1,169	1,204	1,607	1,393	1,303	1,058	1,059	1,119
Traffic violations	1,197	645	391	856	2,113	1,885	895	1,080	420	682
Fire*										
Number of calls answered	4,107	4,636	4,950	4,953	4,918	4,950	5,129	5,737	6,952	6,019
Highways and streets										
Street resurfacing (linear feet)	13,500	4,700	4,500	3,000	1,127	500	500	500	1,750	5,544
Sanitation*										
Residential refuse collected**	641	642	677	696	712	725	754	782	780	715
Residential recyclables collected**	40	41	38	41	39	32	36	36	28	25
Water										
Number of active service connections	4,781	4,784	4,789	4,799	4,810	4,752	4,761	4,750	4,738	4,748
Water main breaks	7	3	6	6	10	7	7	5	8	7
Average daily consumption (millions of gallons)	2.1	2.3	2.2	2.19	2.10	2.10	2.10	2.10	2.10	2.10
Sewer										
Number of active service connections	3,950	3,982	4,029	4,059	4,072	4,127	4,170	4,183	4,185	4,202
Average daily sewage treatment (millions of gallons)	2.5	2.7	2.7	2.7	2.5	2.2	2.6	2.7	2.6	2.6

\* The City contracts out for these services.

\*\* Monthly average tons collected

Sources: Various City departments.

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

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	9	10	10	10	10
Highways and streets										
Street (miles)	64	64	64	64	64	64	64	64	64	64
Streetlights	469	469	483	502	502	502	502	502	502	502
Traffic signals	15	15	15	15	15	15	15	15	15	15
Culture and recreation										
Libraries	1	1	1	1	1	1	1	1	1	1
Park acreage	50	50	50	50	50	50	50	50	50	50
Water										
Water mains (miles)	73.56	73.85	74.28	56.30	56.46	56.46	56.46	56.46	56.46	56.46
Fire hydrants	556	605	606	606	606	606	606	606	606	606
Maximum daily capacity (millions of gallons)	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Sewer										
Sanitary sewers (miles)	56.52	56.80	57.02	44.84	44.84	44.84	44.84	44.84	44.84	44.84
Storm sewers (miles)	55	55	55	55	55	55	55	55	55	55
Maximum daily treatment capacity (millions of gallons)	26	26	26	26	26	26	26	26	26	26

Sources: Various City departments.