

CITY OF KELSO, WASHINGTON

Annual Comprehensive Financial Report



Memorial Day, Cowlitz View Memorial Gardens, Kelso WA

For the fiscal year ended December 31, 2024

Prepared by the Finance Department

**Brian Butterfield
Finance Director**

**Accounting Staff
Kevin Hansen**

City of Kelso, Washington
Annual Comprehensive Financial Report



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INTRODUCTORY SECTION

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Finance / Utility Department

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

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



June 25, 2025

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, 2024.

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, 2024, 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, 2024, 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 12,780.

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 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 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 2024 was 5.3 percent compared with state and national rates of 4.5 percent and 4.0 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, 2023. This was the twentieth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable legal requirements.

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

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

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

Respectfully submitted,



Brian Butterfield
Finance Director

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Kelso
Washington**

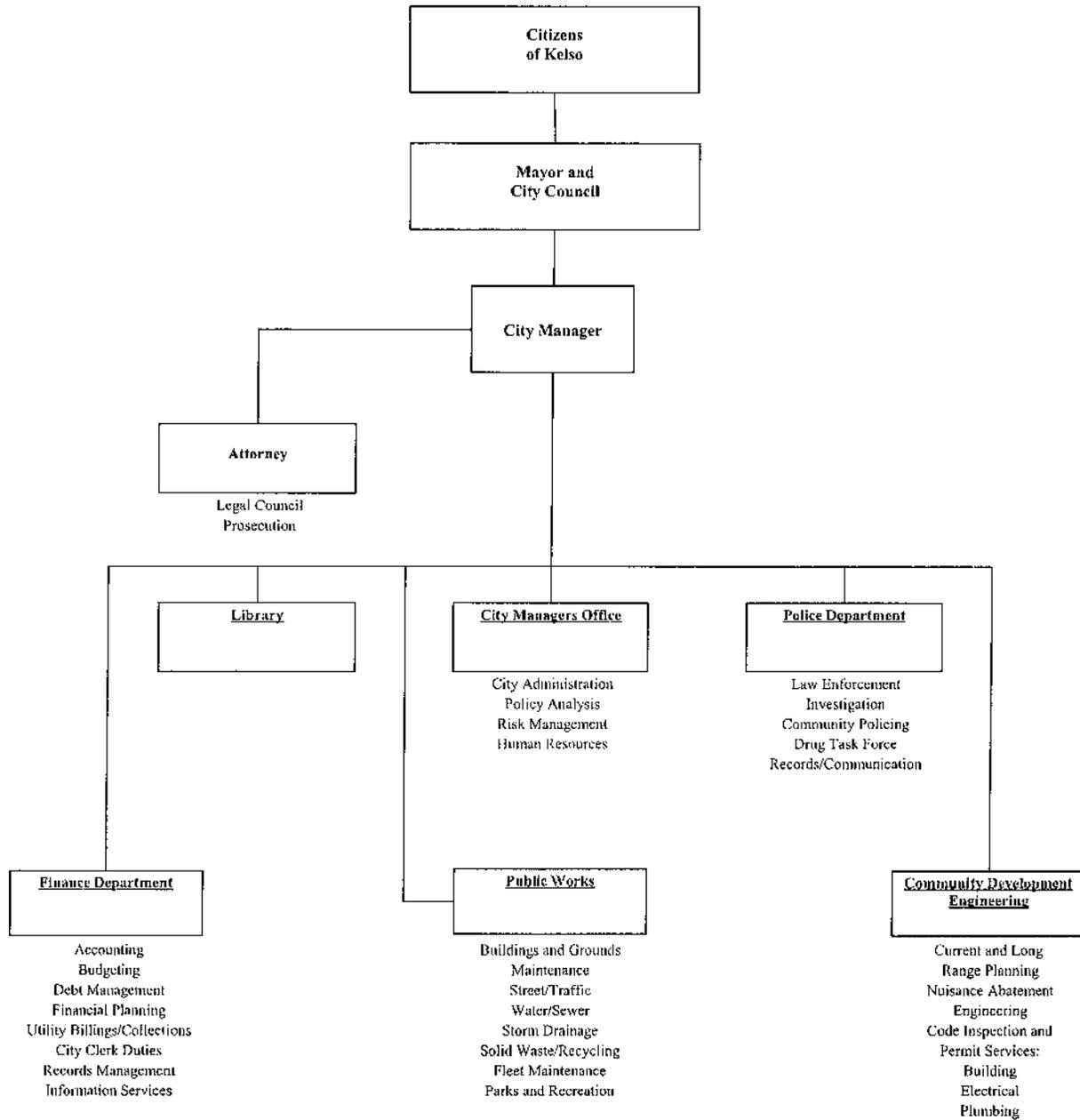
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morrill

Executive Director/CEO

City Of Kelso Organizational Chart



City of Kelso

Directory of Officials

As of December 31, 2024

Elected Officials

Mayor	Veryl Anderson
Council Members	Kimberly Lefebvre Lisa Alexander Keenan Harvey Jim Hill Brian Wood Mike Karnofski

Appointed Officials

City Manager	Andrew Hamilton
City Attorney	Janean Parker
Clerk / Finance Director	Brian Butterfield
Public Works Manager	Devin Mackin
Police Chief	Rich Fletcher
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, 2024, 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, 2024, 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.

Matters of Emphasis

As discussed in Note 5 to the financial statements, in 2024, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit 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

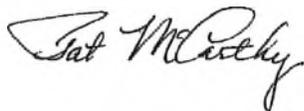
The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not 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, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

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

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2025

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Management's Discussion and Analysis

As management of the City of Kelso, we offer readers of the City of Kelso's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024. 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 \$148,894 (net position). Capital assets, net of depreciation and related debt, account for \$111,157 or 74.7% of total net position. \$29,044 or 19.5% of total net position (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$8,349 during 2024.
- As of the close of the current fiscal year, the City of Kelso's governmental funds reported combined ending fund balances of \$21,131 an increase of \$2,637 in comparison with the prior year. Approximately 85.7% of this amount, \$18,103 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 \$14,900, or 80.4% of total general fund expenditures.
- The City of Kelso's total debt (exclusive of compensated absences, bond discounts/premiums, and pension/OPEB obligations) decreased by \$347 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 fourteen individual governmental funds. Five of these funds are considered managerial funds for budgeting purposes and have been combined into the general fund for reporting purposes. 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 and five are combined into the general fund. Individual fund data for each of the seven 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 \$148,894 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, 2024 with comparable data provided for the previous year.

City of Kelso's Net Position

	Governmental activities		Business-type activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$27,306	\$27,922	\$ 19,044	\$ 21,435	\$ 46,350	\$ 49,357
Capital assets (net)	<u>81,741</u>	<u>79,410</u>	<u>40,072</u>	<u>35,593</u>	<u>121,813</u>	<u>115,003</u>
Total assets	<u>109,047</u>	<u>107,332</u>	<u>59,116</u>	<u>57,028</u>	<u>168,163</u>	<u>164,360</u>
Total deferred outflows of resources	<u>2,638</u>	<u>2,154</u>	<u>538</u>	<u>489</u>	<u>3,176</u>	<u>2,643</u>
Long-term liabilities outstanding	10,813	10,093	7,832	8,669	18,645	18,762
Other liabilities	<u>1,019</u>	<u>4,186</u>	<u>1,234</u>	<u>1,449</u>	<u>2,253</u>	<u>5,635</u>
Total liabilities	<u>11,832</u>	<u>14,279</u>	<u>9,066</u>	<u>10,118</u>	<u>20,898</u>	<u>24,397</u>
Total deferred inflows of resources	<u>1,395</u>	<u>1,804</u>	<u>152</u>	<u>257</u>	<u>1,547</u>	<u>2,061</u>
Net position:						
Net investment in capital assets	78,630	76,041	32,527	27,207	111,157	103,248
Restricted	8,043	6,741	650	522	8,693	7,263
Unrestricted	<u>11,785</u>	<u>10,621</u>	<u>17,259</u>	<u>19,413</u>	<u>29,044</u>	<u>30,034</u>
Total net position	<u>\$98,458</u>	<u>\$93,403</u>	<u>\$50,436</u>	<u>\$47,142</u>	<u>\$148,894</u>	<u>\$140,545</u>

By far the largest portion of the City's net position (74.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Kelso's net position (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$29,044 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.

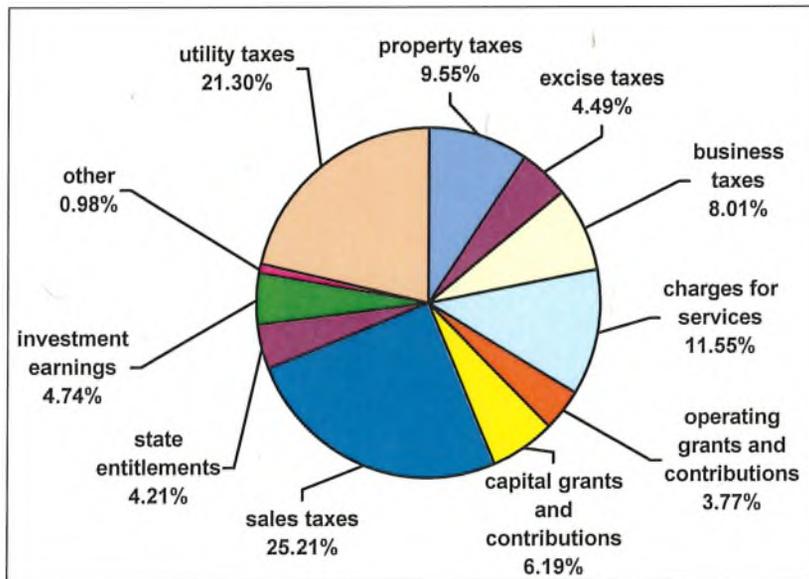
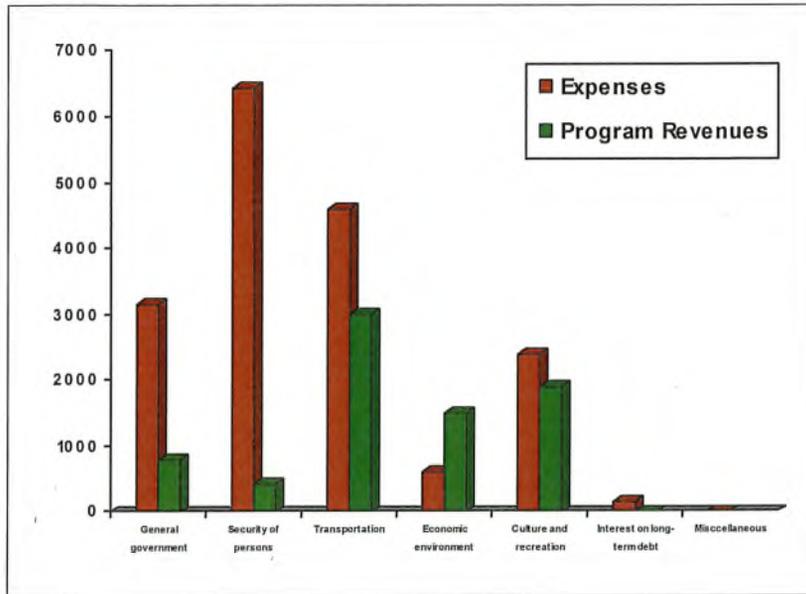
Governmental activities. Governmental activities increased the City of Kelso's net position by \$5,055 in 2024. Revenues increased by \$4,849 and expenses increased by \$2,618. Key elements for these changes include the following:

- The increase in revenues/expenditures from the prior year was because the city received and spent \$2,884 from funds received through the American Rescue Plan Act.
- Sales and business taxes as well as permitting fees remained historically elevated due to above normal construction activity throughout the city. These activities included a 20-home housing development along the Cowlitz River and a 1.176 million square foot warehouse in South Kelso.
- Increased staffing in the police and planning departments as well as cost of living adjustments for all employees.

City of Kelso's Changes in Net Position

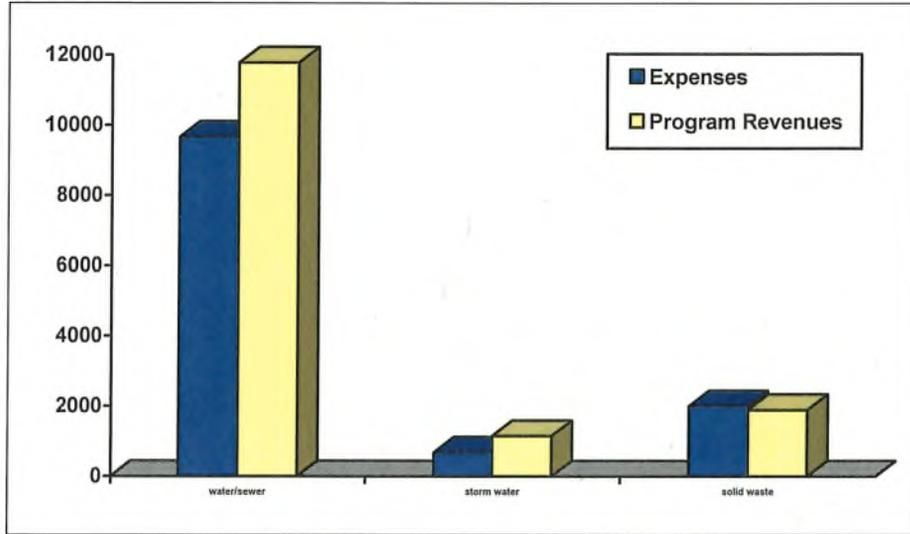
	Governmental activities		Business-type activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$2,163	\$2,022	\$14,357	\$14,111	\$16,520	\$16,133
Operating grants and contributions	1,775	659	84	132	1,859	791
Capital grants and contributions	3,605	1,083	432	320	4,037	1,403
General revenues:						
Property taxes	1,708	1,672	-	-	1,708	1,672
Sales and use taxes	4,932	4,411	-	-	4,932	4,411
Utility taxes	3,765	3,727	-	-	3,765	3,727
Business taxes	1,412	1,402	-	-	1,412	1,402
Excise taxes	1,048	786	-	-	1,048	786
State entitlements	848	736	-	-	848	736
Investment earnings	897	830	765	682	1,662	1,512
Miscellaneous	188	136	-	-	188	136
Gain/(loss) on sale of capital assets	8	36	-	-	8	36
Total revenues	<u>22,349</u>	<u>17,500</u>	<u>15,638</u>	<u>15,245</u>	<u>37,987</u>	<u>32,745</u>
Expenses:						
General government	3,151	2,891	-	-	3,151	2,891
Security of persons and property	6,441	6,286	-	-	6,441	6,286
Transportation	4,594	3,239	-	-	4,594	3,239
Economic environment	611	729	-	-	611	729
Culture and recreation	2,370	1,399	-	-	2,370	1,399
Interest on long-term debt	127	132	-	-	127	132
Water/Sewer	-	-	9,664	9,157	9,664	9,157
Storm water	-	-	678	608	678	608
Solid waste	-	-	2,002	1,929	2,002	1,929
Total expenses	<u>17,294</u>	<u>14,676</u>	<u>12,344</u>	<u>11,694</u>	<u>29,638</u>	<u>26,370</u>
Change in net position	5,055	2,824	3,294	3,551	8,349	6,375
Net position – beginning	<u>93,403</u>	<u>90,579</u>	<u>47,142</u>	<u>43,591</u>	<u>140,545</u>	<u>134,170</u>
Net position – ending	<u>\$ 98,458</u>	<u>\$ 93,403</u>	<u>\$50,436</u>	<u>\$47,142</u>	<u>\$148,894</u>	<u>\$140,545</u>

Expenses and Program Revenues – Governmental Activities

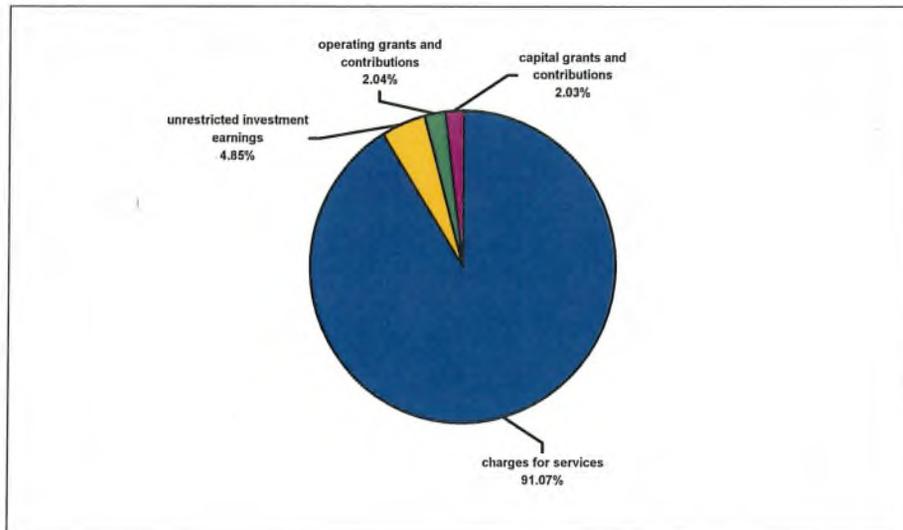


Business-type activities. Business-type activities increased the City of Kelso’s net position by \$3,294. Business-type activity revenues increased by \$393 and expenses increased by \$650 in 2024. Operating revenues exceeded operating expenses in 2024 by \$2,048 in the water/sewer fund.

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. It is the City's intention to replace the current water source in the next 7 to 10 years. The current rate study goes through 2030 and sets rate increases to cover cost of living adjustments and accumulate sufficient reserves to alleviate any future debt burden.

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 2024.
- Expenses increased for the most part due to inflation.
- The city received \$80 more in interest on investments in 2024.

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 \$21,131 an increase of \$2,637 in comparison with the prior year. Approximately 86% of ending fund balance (\$18,103) 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 (\$119), 3) to pay for street maintenance & construction (\$893), 4) to pay for construction or debt service on certain capital projects (\$500), 5) to pay for building permitting administration (\$787), 6) to pay for promoting tourism (\$217), 7) to pay for public education (\$78) and 8) to pay for Opioid related issues (\$199).

As mentioned earlier, the City of Kelso maintains fourteen 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 \$16,119. All but \$3,673 of this fund balance is unassigned. \$1,183 is restricted for low-income housing, building

permitting, public education and opioid related issues. \$414 has been assigned by the city for maintenance of City owned bridges. Unassigned fund balance represents 77 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 \$1,945 during the current fiscal year. Much of this increase can be attributed to the increased sales and business taxes received from increased development in South Kelso. 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 2024, the arterial street fund expended approximately \$1.8 million on roadway improvements. These expenditures were offset by \$1.5 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 \$13,935, and for the solid waste fund amounted to \$193. The total net position for the water/sewer fund increased by \$2,639 and the total net position for the solid waste fund decreased by \$61. 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 \$4,270 increase in appropriations.

At the end of the year, budgetary estimates exceeded operating revenues by \$789 and operating expenditures and transfers were \$1,716 less than budgetary estimates.

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

- The city amended the budget by \$1,350 for the purchase of three lots in west West Kelso. This property will be used for the proposed West Kelso Community Center which will house the new Kelso Library. This project is grant funded.
- The city amended the budget by \$2,450 for runway improvements at the local airport in 2024. This project has been rolled over to 2025 and beyond. This project is grant funded.
- Sales and business tax receipts were \$1,448 higher than anticipated.
- Building permit related revenues exceeded budgetary amounts by \$89.

The increases realized in sales tax and building permits are attributed to above normal construction activity within the city in 2024.

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, 2024 amounts to \$111,157 (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 replaced 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 brings the City into full compliance with Washington State Department of Health design regulations, thereby allowing additional water connections in the Paxton Road area. This project was completed in December of 2024. The total project cost was \$1,420,657.
- **Donation Street Pump Station.** This project completely rehabilitated 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 are housed in a new concrete block building. The contract also provided for a new 16-inch diameter force main and the rehabilitation of an existing force main. The total project cost was \$3,898,447.
- **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 construction phase of this project is scheduled for May of 2025. The total cost of this project through December 31, 2024, was \$6,983,590.

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

	Governmental activities		Business-type activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$27,221	\$26,226	\$ 275	\$ 275	\$ 27,496	\$ 26,501
Buildings and structures	6,198	6,351	15,174	11,599	21,372	17,950
Improvements non-building	7,369	7,307	21,910	19,406	29,279	26,713
Machinery and equipment	910	849	1,625	1,557	2,535	2,406
Infrastructure	31,163	30,797	-	-	31,163	30,797
Right to use assets	182	106	48	65	230	171
Construction in progress	<u>8,698</u>	<u>7,774</u>	<u>1,040</u>	<u>2,691</u>	<u>9,738</u>	<u>10,465</u>
Total	<u>\$81,741</u>	<u>\$79,410</u>	<u>\$40,072</u>	<u>\$35,593</u>	<u>\$121,813</u>	<u>\$115,003</u>

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

Long-term debt. At the end of the current fiscal year, the City of Kelso had total bonded G.O. debt outstanding of \$2,730. 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	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$2,730	\$3,050	\$ -	\$ -	\$2,730	\$3,050
Revenue bonds	-	-	4,115	4,455	4,115	4,455
Total	<u>\$2,730</u>	<u>\$3,050</u>	<u>\$4,115</u>	<u>\$4,455</u>	<u>\$6,845</u>	<u>\$7,505</u>

The City of Kelso’s total bonded debt decreased by \$660 during the current fiscal year.

In addition to the bonded debt mentioned above, the City has a two Loans from the State of Washington outstanding at year end. The total amount outstanding at year end for these loans is \$3,800.

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 2024 was 5.3 percent, which is an increase from a rate of 4.8 percent in 2023. This compares unfavorably to the State’s average unemployment rate of 4.5 percent and the national average rate of 4.0 percent.
- The City’s ability to raise property taxes has been limited by Initiative 747. I-747 is a voter approved initiative that reduces the allowable property tax growth limit to the lower of 1 percent or the Implicit Price Deflator.

All of these factors were considered in preparing the City of Kelso’s budget for the 2025 fiscal year.

At the end of the current fiscal year the unrestricted fund balance in the general fund is \$14,900. In 2025, the City anticipates spending down \$2,040 of this unrestricted fund balance. The projected deficit in 2025 includes \$600,000 for the West Kelso Community Center project and 635,000 for the Kelso Spray Park Rehabilitation. The remainder of the anticipated deficit stems from enhancements related to law enforcement and conservative budget estimates.

In 2025, water and sewer rates will be increased by 10.5% and 4.5%, respectively. Garbage rates will be increased by 13.0%. 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, 2024

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	\$ 20,061,280	\$ 16,024,112	\$ 36,085,392
Receivables (net of allowance for uncollectible):	3,558,844	2,443,891	6,002,735
Prepays	35,665	-	35,665
Net pension asset	2,791,831	333,297	3,125,128
Long-term notes receivable	190,700	-	190,700
Restricted assets	667,399	242,414	909,813
Capital assets not being depreciated:			
Land	27,221,233	274,779	27,496,012
Construction in progress	8,698,389	1,040,536	9,738,925
Capital assets net of accumulated depreciation:			
Buildings	6,198,006	15,174,032	21,372,038
Improvements other than buildings	7,369,302	21,910,403	29,279,705
Machinery and equipment	909,540	1,624,877	2,534,417
Leases	4,256	-	4,256
SBITA's	177,468	47,883	225,351
Infrastructure	31,162,576	-	31,162,576
Total assets	<u>109,046,489</u>	<u>59,116,224</u>	<u>168,162,713</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to charge on refunding	13,285	-	13,285
Related to pensions	2,581,046	468,069	3,029,115
Related to OPEB	63,756	-	63,756
Related to asset retirement obligations	-	70,000	70,000
Total deferred outflows of resources	<u>2,638,087</u>	<u>538,069</u>	<u>3,176,156</u>
LIABILITIES			
Accounts payable and other current liabilities	817,849	868,343	1,686,192
Interest payable	8,721	30,703	39,424
Unearned revenue	192,451	92,646	285,097
Liabilities payable from restricted assets	-	242,414	242,414
Long-term liabilities:			
Due within one year	824,242	660,084	1,484,326
Due in more than one year			
Compensated absences	891,892	137,995	1,029,887
Notes payable	981,170	2,562,804	3,543,974
Bonds payable	2,590,287	4,201,216	6,791,503
SBITA payable	63,799	29,998	93,797
Net pension liability	210,427	140,285	350,712
Total OPEB liability	5,250,738	-	5,250,738
Asset retirement obligation	-	100,000	100,000
Total liabilities	<u>11,831,576</u>	<u>9,066,488</u>	<u>20,898,064</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	771,185	151,609	922,794
Related to leases	624,305	-	624,305
Total deferred inflows of resources	<u>1,395,490</u>	<u>151,609</u>	<u>1,547,099</u>
NET POSITION			
Net investment in capital assets	78,629,438	32,527,326	111,156,764
Restricted for:			
Pensions	4,581,692	649,757	5,231,449
Capital projects	500,886	-	500,886
Promotion of tourism	217,067	-	217,067
Paths and trails	10,193	-	10,193
Street maintenance/construction	882,549	-	882,549
Opioid settlement	667,399	-	667,399
Affordable housing	119,163	-	119,163
Housing/neighborhood rehabilitation	199,318	-	199,318
Public education	77,705	-	77,705
Building permitting	787,444	-	787,444
Unrestricted	11,784,656	17,259,113	29,043,769
Total net position	<u>\$ 98,457,510</u>	<u>\$ 50,436,196</u>	<u>\$ 148,893,706</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, 2024

Functions/Programs	Program Revenues				Net (expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,150,338	\$ 309,514	\$ 467,527	\$ -	\$ (2,373,297)	\$ -	\$ (2,373,297)
Security of persons and property	6,441,156	298,429	109,454	-	(6,033,273)	-	(6,033,273)
Transportation	4,593,568	961,858	236,929	1,781,880	(1,612,901)	-	(1,612,901)
Economic environment	610,924	451,926	70,924	975,049	886,975	-	886,975
Culture and recreation	2,370,473	140,789	889,791	848,517	(491,376)	-	(491,376)
Interest on long-term debt	127,409	-	-	-	(127,409)	-	(127,409)
Total governmental activities	<u>17,293,868</u>	<u>2,162,516</u>	<u>1,774,625</u>	<u>3,605,446</u>	<u>(9,751,281)</u>	<u>-</u>	<u>(9,751,281)</u>
Business-type activities:							
Water/Sewer	9,664,227	11,600,274	-	184,676	-	2,120,723	2,120,723
Solid waste	2,001,705	1,938,606	-	-	-	(63,099)	(63,099)
Storm water	677,644	817,907	84,017	247,718	-	471,998	471,998
Total business-type activities	<u>12,343,576</u>	<u>14,356,787</u>	<u>84,017</u>	<u>432,394</u>	<u>-</u>	<u>2,529,622</u>	<u>2,529,622</u>
Total primary government	<u>\$ 29,637,444</u>	<u>\$ 16,519,303</u>	<u>\$ 1,858,642</u>	<u>\$ 4,037,840</u>	<u>\$ (9,751,281)</u>	<u>\$ 2,529,622</u>	<u>\$ (7,221,659)</u>
General Revenues:							
Property taxes					1,708,171	-	1,708,171
Sales taxes					4,931,447	-	4,931,447
Utility taxes					3,764,870	-	3,764,870
Business taxes					1,412,181	-	1,412,181
Excise taxes					1,048,098	-	1,048,098
State entitlements (unrestricted)					848,494	-	848,494
Investment earnings					896,500	764,569	1,661,069
Miscellaneous					188,362	-	188,362
Gain on sale of capital assets					7,620	-	7,620
Total general revenues					<u>14,805,743</u>	<u>764,569</u>	<u>15,570,312</u>
Change in net position					<u>5,054,462</u>	<u>3,294,191</u>	<u>8,348,653</u>
Net position - beginning					<u>93,403,048</u>	<u>47,142,005</u>	<u>140,545,053</u>
Net position - ending					<u>\$ 98,457,510</u>	<u>\$ 50,436,196</u>	<u>\$ 148,893,706</u>

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

City of Kelso
Balance Sheet
Governmental Funds
December 31, 2024

	General Fund	Arterial Street Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 14,547,316	\$ 2,304,752	\$ 2,248,581	\$ 19,100,649
Receivables (net):				
Taxes	2,102,264	-	146,384	2,248,648
Accounts	108,395	-	-	108,395
Settlements	468,721	-	-	468,721
Assessments	-	551	-	551
Leases	629,998	-	-	629,998
Due from other governments	300,452	269,324	-	569,776
Prepaid items	35,665	-	-	35,665
Long-term notes receivable	-	-	190,700	190,700
Total assets	<u>\$ 18,192,811</u>	<u>\$ 2,574,627</u>	<u>\$ 2,585,665</u>	<u>\$ 23,353,103</u>
LIABILITIES				
Accounts payable	670,323	147,494	32	817,849
Unearned revenue	191,900	551	-	192,451
Total liabilities	<u>862,223</u>	<u>148,045</u>	<u>32</u>	<u>1,010,300</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property tax	60,841	-	-	60,841
Unavailable revenue-municipal court	57,579	-	-	57,579
Unavailable revenue-settlements	468,721	-	-	468,721
Leases	624,305	-	-	624,305
Total deferred inflows of resources	<u>1,211,446</u>	<u>-</u>	<u>-</u>	<u>1,211,446</u>
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepays	35,665	-	-	35,665
Restricted for:				
Paths and trails	-	-	10,193	10,193
Promotion of tourism	-	-	217,067	217,067
Housing/neighborhood rehabilitation	-	-	199,318	199,318
Low income housing	119,163	-	-	119,163
Opioid settlement	198,678	-	-	198,678
Street maintenance/construction	-	-	882,549	882,549
Capital projects	-	-	500,886	500,886
Public education	77,705	-	-	77,705
Building permitting	787,444	-	-	787,444
Assigned to:				
Debt service	-	-	196,116	196,116
Bridge maintenance	413,562	-	-	413,562
Recreation	-	-	13,698	13,698
Neighborhood rehabilitation	-	-	484,503	484,503
Street maintenance/construction	-	2,426,582	-	2,426,582
Subsequent year budget	2,040,325	-	-	2,040,325
Promotion of tourism	-	-	81,303	81,303
Unassigned	12,446,600	-	-	12,446,600
Total fund balances	<u>16,119,142</u>	<u>2,426,582</u>	<u>2,585,633</u>	<u>21,131,357</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 18,192,811</u>	<u>\$ 2,574,627</u>	<u>\$ 2,585,665</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.	81,181,582
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	587,141
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.	(925,717)
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.	1,719,973
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,236,826)
Net position of governmental activities	<u>\$ 98,457,510</u>

City of Kelso
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

	General Fund	Arterial Street Fund	Other Governmental Funds	Total
Revenues				
Taxes	\$ 11,632,278	\$ -	\$ 1,236,242	\$ 12,868,520
Licenses and permits	266,454	-	-	266,454
Intergovernmental	4,500,453	1,519,890	1,129	6,021,472
Charges for services	1,416,167	201,017	17,519	1,634,703
Fines	116,997	-	-	116,997
Investment earnings	725,658	102,946	52,524	881,128
Contributions	108,910	-	2,515	111,425
Rental/lease income	104,709	-	-	104,709
Miscellaneous	338,268	1,560	1,157	340,985
Total revenues	<u>19,209,894</u>	<u>1,825,413</u>	<u>1,311,086</u>	<u>22,346,393</u>
Expenditures				
Current:				
General government	3,853,875	-	-	3,853,875
Security of persons and property	6,566,624	-	-	6,566,624
Transportation	3,169,434	461,872	76,546	3,707,852
Economic environment	577,714	-	-	577,714
Culture and recreation	1,793,897	-	38,800	1,832,697
Debt service:				
Principal	133,843	-	320,000	453,843
Interest	24,477	-	114,910	139,387
Capital outlay:				
General government	1,178,681	-	-	1,178,681
Security of persons and property	10,716	-	-	10,716
Transportation	-	1,332,233	-	1,332,233
Culture and recreation	1,219,454	-	-	1,219,454
Total expenditures	<u>18,528,715</u>	<u>1,794,105</u>	<u>550,256</u>	<u>20,873,076</u>
Excess (deficiency) of revenues over (under) expenditures	<u>681,179</u>	<u>31,308</u>	<u>760,830</u>	<u>1,473,317</u>
Other financing sources (uses)				
Issuance of Debt - State Loan	981,170	-	-	981,170
Issuance of Debt - SBITA's	182,595	-	-	182,595
Transfers in	100,000	-	455,710	555,710
Transfers out	-	-	(555,710)	(555,710)
Total other financing sources (uses)	<u>1,263,765</u>	<u>-</u>	<u>(100,000)</u>	<u>1,163,765</u>
Net change in fund balances	<u>1,944,944</u>	<u>31,308</u>	<u>660,830</u>	<u>2,637,082</u>
Fund balances - beginning	14,174,198	2,395,274	1,924,803	18,494,275
Fund balances - ending	<u>\$ 16,119,142</u>	<u>\$ 2,426,582</u>	<u>\$ 2,585,633</u>	<u>\$ 21,131,357</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, 2024

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

Net change in fund balances - total governmental funds (page 33)	\$ 2,637,082
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.	2,541,074
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets. (Loss on disposition of capital assets.)	(185,419)
The net effect of funding the City's annual required contribution to the State Pension Fund.	419,536
The net effect of funding the City's post-retirement health care benefits for LEOFF I (Law Enforcement Officers and Fire Fighters) employees.	275,951
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	218,074
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.	(492,199)
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.	(592,218)
Some expenses reported in the governmental funds have already been reported in the statement of activities in prior years.	797
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.	231,784
Change in net position of governmental activities (page 31)	<u>\$ 5,054,462</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, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,300,200	\$ 8,540,700	\$ 9,979,002	\$ 1,438,302
Licenses and permits	174,200	174,200	266,454	92,254
Intergovernmental	808,250	3,287,850	2,196,428	(1,091,422)
Charges for services	1,290,000	1,290,000	1,400,892	110,892
Fines	151,500	151,500	116,580	(34,920)
Investment earnings	194,000	541,500	667,312	125,812
Contributions	10,500	10,500	8,910	(1,590)
Rental/lease income	11,000	11,000	6,884	(4,116)
Other miscellaneous	20,000	22,500	176,521	154,021
Total revenues	<u>10,959,650</u>	<u>14,029,750</u>	<u>14,818,983</u>	<u>789,233</u>
Expenditures				
General government:				
Council	166,400	166,400	151,914	14,486
Municipal court	348,000	348,000	329,018	18,982
Manager	427,100	444,100	433,246	10,854
Finance	801,900	801,900	663,001	138,899
Attorney	274,900	312,900	298,705	14,195
Police	89,000	109,000	107,724	1,276
Engineering	750,500	750,500	771,089	(20,589)
Other - unclassified	948,300	1,080,300	1,099,178	(18,878)
Total general government	<u>3,806,100</u>	<u>4,013,100</u>	<u>3,853,875</u>	<u>159,225</u>
Security of persons and property:				
Police	5,765,700	5,894,200	5,785,023	109,177
Jail	305,000	530,000	339,409	190,591
Fire	255,560	255,560	233,778	21,782
Other	130,600	221,200	208,414	12,786
Total security of persons and property	<u>6,456,860</u>	<u>6,900,960</u>	<u>6,566,624</u>	<u>334,336</u>
Transportation	253,700	2,703,700	1,505,405	1,198,295
Economic environment	571,300	695,300	577,714	117,586
Culture and recreation	7,500	7,500	1,366	6,134
Capital outlay	44,500	1,089,500	1,189,397	(99,897)
Debt Service:				
Principal	-	-	81,136	(81,136)
Interest	-	-	1,117	(1,117)
Total expenditures	<u>11,139,960</u>	<u>15,410,060</u>	<u>13,776,634</u>	<u>1,715,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(180,310)</u>	<u>(1,380,310)</u>	<u>1,042,349</u>	<u>2,504,912</u>
Other financing sources (uses)				
Proceeds from lease/SBITA financing	-	-	182,595	182,595
Proceeds from State Loan	-	1,200,000	981,170	(218,830)
Transfers in	60,000	60,000	-	(60,000)
Transfers out	(27,000)	(27,000)	(27,000)	-
Total other financing sources (uses)	<u>33,000</u>	<u>1,233,000</u>	<u>1,136,765</u>	<u>(96,235)</u>
Net change in fund balances budgetary basis	<u>(147,310)</u>	<u>(147,310)</u>	<u>2,179,114</u>	<u>2,326,424</u>
Reconciliation of budgetary/GAAP basis:				
Basis difference (See note III.B.)			<u>(234,170)</u>	
Net change in fund balance GAAP basis			<u>1,944,944</u>	
Fund balance - beginning			<u>14,174,198</u>	
Fund balance - ending			<u>\$ 16,119,142</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, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 8,757,000	\$ 24,527,000	\$ 1,519,890	\$ (23,007,110)
Charges for services	201,000	201,000	201,017	17
Investment earnings	50,000	50,000	102,946	52,946
Miscellaneous	-	-	1,560	1,560
Total revenues	9,008,000	24,778,000	1,825,413	(22,952,587)
Expenditures				
Transportation	4,580,000	5,430,000	461,872	4,968,128
Capital outlay	5,062,000	20,038,000	1,332,233	18,705,767
Debt Service:				
Interest and bond issuance costs	2,000	2,000	-	2,000
Total expenditures	9,644,000	25,470,000	1,794,105	23,675,895
Excess (deficiency) of revenues over (under) expenditures	(636,000)	(692,000)	31,308	723,308
Net change in fund balance	(636,000)	(692,000)	31,308	723,308
Fund balance - beginning	2,395,274	2,395,274	2,395,274	-
Fund balance - ending	\$ 1,759,274	\$ 1,703,274	\$ 2,426,582	\$ 723,308

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

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City of Kelso
Statement of Fund Net Position
Proprietary Funds
December 31, 2024

	Business-type Activities - Enterprise Funds				Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund		
	Solid Waste	Water- Sewer	Storm Water	Total	
ASSETS					
Current Assets:					
Cash & cash equivalents	\$ 59,072	\$ 13,222,785	\$ 738,716	\$ 14,020,573	\$ 3,162,848
Restricted cash, cash equivalents, and investments:					
Customer deposits	-	242,414	-	242,414	-
Accounts receivable	329,478	1,660,245	452,644	2,442,367	3,000
Total current assets	<u>388,550</u>	<u>15,125,444</u>	<u>1,191,360</u>	<u>16,705,354</u>	<u>3,165,848</u>
Capital Assets:					
Land	-	274,779	-	274,779	-
Buildings and structures	-	19,944,489	-	19,944,489	-
Improvements other than buildings	-	35,041,899	2,314,137	37,356,036	-
Machinery and equipment	-	2,601,875	-	2,601,875	4,511,401
Intangible Asset - SBITA	-	65,174	-	65,174	-
Construction in progress	-	860,438	180,098	1,040,536	-
Less accumulated depreciation	-	(21,577,681)	(510,539)	(22,088,220)	(3,074,372)
Total capital assets (net of accumulated depreciation)	-	37,210,973	1,983,696	39,194,669	1,437,029
Net pension asset	-	296,634	36,663	333,297	-
Total noncurrent assets	-	<u>37,507,607</u>	<u>2,020,359</u>	<u>39,527,966</u>	<u>1,437,029</u>
Total Assets	<u>388,550</u>	<u>52,633,051</u>	<u>3,211,719</u>	<u>56,233,320</u>	<u>4,602,877</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	-	416,581	51,488	468,069	-
Related to asset retirement obligations	-	70,000	-	70,000	-
Total Deferred Outflows of Resources	-	<u>486,581</u>	<u>51,488</u>	<u>538,069</u>	<u>-</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	195,073	614,731	58,539	868,343	-
Compensated absences	-	40,377	5,621	45,998	-
Customer deposits	-	242,414	-	242,414	-
Accrued interest payable	-	30,703	-	30,703	-
Unearned revenue	-	92,646	-	92,646	-
Current revenue bonds payable	-	345,000	-	345,000	-
Current portion notes payable	-	256,280	-	256,280	-
Current SBITA payable	-	12,806	-	12,806	-
Total current liabilities	<u>195,073</u>	<u>1,634,957</u>	<u>64,160</u>	<u>1,894,190</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences	-	121,130	16,864	137,994	-
Revenue bonds payable	-	4,201,217	-	4,201,217	-
Notes payable	-	2,562,804	-	2,562,804	-
SBITA payable	-	29,998	-	29,998	-
Net pension liability	-	124,854	15,431	140,285	-
Asset retirement obligations	-	100,000	-	100,000	-
Total noncurrent liabilities	-	<u>7,140,003</u>	<u>32,295</u>	<u>7,172,298</u>	<u>-</u>
Total Liabilities	<u>195,073</u>	<u>8,774,960</u>	<u>96,455</u>	<u>9,066,488</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	-	134,932	16,677	151,609	-
Total Deferred Inflows of Resources	-	<u>134,932</u>	<u>16,677</u>	<u>151,609</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	-	29,696,007	1,953,478	31,649,485	1,437,029
Restricted for pensions	-	578,283	71,474	649,757	-
Unrestricted	193,477	13,935,450	1,125,123	15,254,050	3,165,848
Total net position	<u>\$ 193,477</u>	<u>\$ 44,209,740</u>	<u>\$ 3,150,075</u>	<u>47,553,292</u>	<u>\$ 4,602,877</u>
				2,882,904	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				<u>2,882,904</u>	
Net position of business-type activities				<u>\$ 50,436,196</u>	

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, 2024

	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	\$ 1,938,606	\$ 11,330,573	\$ 817,845	\$ 14,087,024	\$ 623,100
Other operating revenue	-	90,442	62	90,504	5,626
Total operating revenues	<u>1,938,606</u>	<u>11,421,015</u>	<u>817,907</u>	<u>14,177,528</u>	<u>628,726</u>
Operating expenses:					
General operations	1,106,206	3,897,341	539,782	5,543,329	-
Contracted processing operations	576,080	2,505,788	-	3,081,868	-
Maintenance	12,414	512,008	91,152	615,574	5,210
Depreciation/amortization	-	943,206	33,366	976,572	292,316
Taxes	307,005	1,514,972	13,344	1,835,321	-
Total operating expenses	<u>2,001,705</u>	<u>9,373,315</u>	<u>677,644</u>	<u>12,052,664</u>	<u>297,526</u>
Operating income (loss)	<u>(63,099)</u>	<u>2,047,700</u>	<u>140,263</u>	<u>2,124,864</u>	<u>331,200</u>
Nonoperating revenues (expenses):					
Investment earnings	2,258	664,160	26,959	693,377	110,513
Capital contributions	-	184,676	247,718	432,394	-
Intergovernmental	-	-	84,017	84,017	-
Gain (loss) on capital asset disposition	-	(110,296)	-	(110,296)	7,620
Interest expense	-	(147,714)	-	(147,714)	-
Total nonoperating revenues (expenses)	<u>2,258</u>	<u>590,826</u>	<u>358,694</u>	<u>951,778</u>	<u>118,133</u>
Income (loss) before capital contributions and transfers	<u>(60,841)</u>	<u>2,638,526</u>	<u>498,957</u>	<u>3,076,642</u>	<u>449,333</u>
Change in net position	<u>(60,841)</u>	<u>2,638,526</u>	<u>498,957</u>	<u>3,076,642</u>	<u>449,333</u>
Total net position - beginning	<u>254,318</u>	<u>41,571,214</u>	<u>2,651,118</u>		<u>4,153,544</u>
Total net position - ending	<u>\$ 193,477</u>	<u>\$ 44,209,740</u>	<u>\$ 3,150,075</u>		<u>\$ 4,602,877</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				217,549	
Change in net position of business-type activities				<u>\$ 3,294,191</u>	

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

City of Keosauqua
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2024

	Business-type Activities - Enterprise Funds				Equipment Reserve Internal Service Fund
	Major Funds		Non-Major Fund		
	Solid Waste	Water- Sewer	Storm Water	Totals	
Cash flows from operating activities					
Receipts from customers and users	\$ 1,942,736	\$ 11,380,494	\$ 814,307	\$ 14,137,537	\$ -
Receipts from other sources	-	90,438	62	90,500	-
Receipts from interfund services provided	-	-	-	-	628,724
Payments to suppliers and service providers	(1,875,237)	(6,333,505)	(287,619)	(8,496,361)	(5,210)
Payments to employees	(10,144)	(1,772,751)	(200,596)	(1,983,491)	-
Payments for interfund services used	(100,255)	(580,276)	(135,912)	(816,443)	-
Net cash provided (used) by operating activities	<u>(42,900)</u>	<u>2,784,400</u>	<u>190,242</u>	<u>2,931,742</u>	<u>621,514</u>
Cash flows from noncapital financing activities					
Operating grants received	-	-	41,530	41,530	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>41,530</u>	<u>41,530</u>	<u>-</u>
Cash flows from capital and related financing activities					
Proceeds from capital recovery fees	-	184,676	12,310	196,986	-
Proceeds from sale of capital assets	-	-	-	-	7,620
Acquisition and construction of capital assets	-	(4,928,852)	(866,424)	(5,795,276)	(414,655)
Principal paid on capital debt	-	(596,280)	-	(596,280)	-
Interest paid on capital debt	-	(177,468)	-	(177,468)	-
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(5,517,924)</u>	<u>(854,114)</u>	<u>(6,372,038)</u>	<u>(407,035)</u>
Cash flows from investing activities					
Interest received	2,258	664,160	24,519	690,937	110,513
Net cash provided (used) by investing activities	<u>2,258</u>	<u>664,160</u>	<u>24,519</u>	<u>690,937</u>	<u>110,513</u>
Net increase (decrease) in cash and cash equivalents	(40,642)	(2,069,364)	(597,823)	(2,707,829)	324,992
Cash and cash equivalents, January 1	99,714	15,534,563	1,336,539	16,970,816	2,837,856
Cash and cash equivalents, December 31	<u>\$ 59,072</u>	<u>\$ 13,465,199</u>	<u>\$ 738,716</u>	<u>\$ 14,262,987</u>	<u>\$ 3,162,848</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (63,099)	\$ 2,047,700	\$ 140,263	\$ 2,124,864	\$ 331,200
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	943,205	33,366	976,571	292,316
(Increase) decrease in accounts receivable	4,130	(53,468)	(3,538)	(52,876)	(2,002)
Increase (decrease) in customer deposits	-	4,145	-	4,145	-
Increase (decrease) in accounts payable	16,069	(100,016)	20,600	(63,347)	-
Increase (decrease) in compensated absences	-	72,533	13,032	85,565	-
Increase (decrease) in unearned revenues	-	25,785	-	25,785	-
Increase (decrease) in pension expense	-	(155,484)	(13,481)	(168,965)	-
Total adjustments	<u>20,199</u>	<u>736,700</u>	<u>49,979</u>	<u>806,878</u>	<u>290,314</u>
Net cash provided (used) by operating activities	<u>\$ (42,900)</u>	<u>\$ 2,784,400</u>	<u>\$ 190,242</u>	<u>\$ 2,931,742</u>	<u>\$ 621,514</u>
Schedule of non-cash investing activities:					
Capital assets financed through accounts payable	\$ -	\$ (188,214)	\$ (30,218)	\$ (218,432)	\$ -

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

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City of Kelso
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024

	<u>Airport Custodial Fund</u>
Assets	
Cash & cash equivalents	\$ 792,397
Receivables	<u>142,712</u>
Total assets	<u><u>935,109</u></u>
 Liabilities	
Accounts payable	<u>36,709</u>
Total liabilities	<u><u>36,709</u></u>
 Net Position	
Restricted for:	
Regional airport	<u>898,400</u>
Total net position	<u><u>\$ 898,400</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, 2024

	<u>Airport Custodial Fund</u>
Additions	
Collections from regional airport tenants	\$ 218,151
Governmental grants and subsidies received	1,473,055
Miscellaneous	8,544
Total contributions	<u>1,699,750</u>
Investment earnings:	
Interest	<u>29,656</u>
Total investment earnings	<u>29,656</u>
Total additions	<u>1,729,406</u>
 Deductions	
Payments to vendors for airport operations	346,545
Payments to vendors for capital Improvements	1,268,578
Total deductions	<u>1,615,123</u>
Change in net position	114,283
Net position - beginning, restated	<u>784,117</u>
Net position - ending	<u><u>\$ 898,400</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, 2024

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting and 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 refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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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, 2024, the city has \$32,775,774 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.

As of December 31, 2024, all of the City's Investments were in the Washington State Treasurer's Investment Pool.

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2. Receivables and payables

Customer accounts receivable consists of amounts owed by private individuals or organizations for goods and services provided, as well as, court ordered fines. Taxes receivable consists 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, 2024

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

The City of Kelso reports restricted assets in connection with customer deposits in the Water /Sewer Fund. The restricted assets of the Water/Sewer Fund consist of \$242,414 which is cash and investments held for customer deposit refunds.

The city also reports restricted assets at the Government-wide level related to the Washington State Opioid Settlement lawsuit in the amount of \$667,399 of cash and receivables in the amounts of 198,678 and 468,721, respectively,

5. Capital assets

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

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

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

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

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

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

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

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

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

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6. 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. Certain accrued sick pay is payable as determined by the various collective bargaining unit's or the employee handbook.

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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 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 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.

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- Assigned fund balance includes amounts that are constrained by the City’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the remaining amounts within the fund that are not classified as 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.

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.

It is also the City’s policy to consider restricted net position to have been depleted before unrestricted net position in the government-wide, proprietary, and fiduciary fund statements.

The City does not have a formal minimum fund balance/net position 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 \$(5,236,826) difference are as follows:

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Bonds payable	\$(2,730,000)
Deferred charges/loss on issuance (to be amortized over life of debt)	13,285
Premium on G.O. Bond (to be amortized over life of debt)	(195,287)
Leases/SBITA's	(145,744)
Accrued interest payable	(8,721)
Compensated absences	(1,189,189)
State Loan	<u>(981,170)</u>
 Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	 <u>\$(5,236,826)</u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.” The details of this \$81,181,582 difference are as follows:

Capital assets used in governmental fund operations	\$110,882,802
Less: Accumulated depreciation	<u>(29,701,220)</u>
 Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	 <u>\$81,181,582</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 \$(925,717) difference are as follows:

Total OPEB liability	\$(5,360,738)
Net pension liability	(210,427)
Net pension asset	2,791,831
Deferred inflows related to pensions	(771,185)
Deferred outflows related to OPEB	63,756
Deferred outflows related to pensions	<u>2,561,046</u>
 Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	 <u>\$ (925,717)</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 \$587,141 difference are as follows:

Property taxes receivable	\$ 60,841
Settlements receivable	468,721
Court ordered fines receivable – net	<u>57,579</u>
 Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	 <u>\$ 587,141</u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,541,074 difference are as follows:

Capital outlay	\$ 3,741,084
Depreciation/amortization expense	<u>(1,200,010)</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>\$ 2,541,084</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 \$218,074 difference are as follows:

Property tax receivable	\$ (3,753)
Settlements receivable	232,193
Court ordered fines	<u>(10,366)</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>\$ 218,074</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 \$(492,199) difference are as follows:

Principal repayments general obligation debt	\$ 320,000
Principal payments lease obligations	55,868
Principal payments SBITA obligations	77,975
Proceeds related to State loan	<u>(981,170)</u>

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Proceeds related to new SBITA's	(182,595)
Amortization of gain on the refunding of a bond	(3,321)
Retirement of Asset Retirement Obligation	203,291
Amortization of bond premium	<u>17,753</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	 <u>\$ (492,199)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(592,218) difference are as follows:

Compensated absences	\$ (566,805)
Amortization of Asset Retirement Obligation	<u>(25,413)</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>\$ (592,218)</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

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amending the budget. The 2024 budget was amended two times. Budget amounts shown in the fund financial statements include the original budget amounts plus the revised budget amounts approved by the City Council. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Kelso.

B. Budgetary/GAAP basis reconciliation

In accordance with GASB Statement No. 54, the City reclassified certain funds within the governmental fund types for reporting purposes. For budgetary and internal reporting, the City classifies its street, library, parks, façade, and Kelso station funds as special revenue funds. (See pages 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:

Revenues:	
Street fund	\$ 1,128,285
Library fund	586,847
Kelso Station fund	476,265
Parks Fund	2,326,514
Façade Fund	-
 Expenditures:	
Street fund	(1,175,696)
Library fund	(836,099)
Kelso Station fund	(488,333)
Parks Fund	(2,251,953)
Facade Fund	-
 Total General fund Basis difference	 <u>\$ (234,170)</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 (WPDP). Under State statute, members of WPDP may be assessed losses on a prorated basis if the pool's collateral

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provides insufficient coverage. Deposits collateralized in the collateral pool are considered insured, and therefore not exposed to custodial credit risk.

As of December 31, 2024 the City had the following deposits and investments:

<u>Investment type</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash		
FDIC or WPDPC insured deposits		\$ 5,411,786
In-transit items		(874,729)
Held for Custodial Fund		(238,170)
Petty cash on hand		<u>6,050</u>
Total Cash		<u>4,304,937</u>
Investments		
State Treasurer's investment pool	< 90 days	32,775,774
Held for Custodial Fund	< 90 days	<u>(554,227)</u>
Total investments		<u>32,221,547</u>
Total Cash, Cash Equivalents, Investments		<u>\$ 36,526,484</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

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of investment. General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington that have a long-term credit rating of A1/A+ or higher by a nationally recognized rating agency at the time of investment.

Custodial Credit Risk – Investments

For investments, this is the risk that in the event of the failure of a depository financial institution, the City would not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy with regard to custodial credit risk, however, for all of 2024, 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>	<u>Arterial Street</u>	<u>Solid Waste</u>	<u>Water/ Sewer</u>	<u>Non- major Govt. Funds</u>	<u>Non- major Prop. Funds*</u>	<u>Total</u>
Receivables:							
Taxes	\$2,102	\$ -	\$ -	\$ -	\$ 146	\$ -	\$2,248
Accounts	108	-	329	1,660	-	456	2,553
Special Assessments	469	1	-	-	-	-	470
Leases	630	-	-	-	-	-	630
Intergovernmental	301	269	-	-	-	-	570
Long-term notes	-	-	-	-	191	-	191
Net total receivables	<u>\$3,610</u>	<u>\$ 270</u>	<u>\$ 329</u>	<u>\$1,660</u>	<u>\$ 337</u>	<u>\$ 456</u>	<u>\$6,662</u>

*Includes Internal Service Fund

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:

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	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 60,841	\$ -
Delinquent Court ordered fines receivable (general fund)	57,579	-
Opioid settlement	468,721	-
Leases receivable	624,305	-
Grant received (general fund)	-	191,900
Special assessments not due yet (arterial street fund)	-	551
Total deferred/unearned revenue for governmental funds	<u>\$ 1,211,446</u>	<u>\$ 192,451</u>

C. Capital assets

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$26,226,303	\$ 994,930	\$ -	\$27,221,233
Construction in progress*	<u>7,774,011</u>	<u>2,955,798</u>	<u>2,031,420</u>	<u>8,698,389</u>
Total capital assets, not being depreciated	34,000,314	3,950,728	2,031,420	35,919,622
Capital assets, being depreciated:				
Buildings	12,024,337	-	2,932	12,021,405
Improvements other than buildings	11,218,533	468,498	334,193	11,352,838
Machinery and equipment	2,865,528	283,660	136,353	3,012,835
Infrastructure	<u>49,537,174</u>	<u>1,036,372</u>	<u>-</u>	<u>50,573,546</u>
Total capital assets being depreciated	<u>75,645,572</u>	<u>1,788,530</u>	<u>473,478</u>	<u>76,960,624</u>
Less accumulated depreciation for:				
Buildings	5,673,910	152,421	2,932	5,823,399
Improvements other than buildings	3,911,313	220,997	148,774	3,983,536
Machinery and equipment	2,016,356	223,292	136,353	2,103,295
Infrastructure	<u>18,740,668</u>	<u>670,302</u>	<u>-</u>	<u>19,410,970</u>
Total accumulated depreciation	<u>30,342,247</u>	<u>1,267,012</u>	<u>288,059</u>	<u>31,321,200</u>
Total capital assets, being depreciated, net	<u>45,303,325</u>	<u>521,518</u>	<u>185,419</u>	<u>45,639,424</u>
Right to use assets, being amortized:				
Buildings - Leases	103,074	-	-	103,074
Machinery and equipment Leases	31,761	-	31,761	-
SBITA asset	<u>62,126</u>	<u>182,595</u>	<u>-</u>	<u>244,721</u>
Total right to use assets being amortized	<u>196,961</u>	<u>182,595</u>	<u>31,761</u>	<u>347,795</u>
Less accumulated amortization for right to use assets:				
Buildings - Leases	47,242	51,576	-	98,818
Machinery and equipment - Leases	28,630	3,131	31,761	-
SBITA asset	<u>15,100</u>	<u>52,153</u>	<u>-</u>	<u>67,253</u>
Total accumulated amortization	<u>90,972</u>	<u>106,860</u>	<u>31,761</u>	<u>166,071</u>
Total right to use assets, being amortized, net	<u>105,989</u>	<u>75,735</u>	<u>-</u>	<u>181,724</u>
Capital assets, being depreciated/amortized, net	<u>45,409,314</u>	<u>597,253</u>	<u>185,419</u>	<u>45,821,148</u>
Governmental activities capital assets, net	<u>\$79,409,628</u>	<u>\$ 4,547,981</u>	<u>\$2,216,839</u>	<u>\$81,740,770</u>

*Decrease in construction in progress includes land.

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Notes to the Financial Statements
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 274,779	\$ -	\$ -	\$ 274,779
Construction in progress	<u>2,691,510</u>	<u>5,405,297</u>	<u>7,056,271</u>	<u>1,040,536</u>
Total capital assets, not being depreciated	<u>2,966,289</u>	<u>5,405,297</u>	<u>7,056,271</u>	<u>1,315,315</u>
Capital assets, being depreciated:				
Buildings and structures	16,072,242	3,898,447	26,200	19,944,489
Improvements other than buildings	34,286,233	3,069,803	-	37,356,036
Machinery and equipment	<u>4,650,656</u>	<u>280,927</u>	<u>163,546</u>	<u>4,768,037</u>
Total capital assets being depreciated	<u>55,009,131</u>	<u>7,249,177</u>	<u>189,746</u>	<u>62,068,562</u>
Less accumulated depreciation for:				
Buildings and structures	4,473,708	321,378	24,629	4,770,457
Improvements other than buildings	14,880,602	565,031	-	15,445,633
Machinery and equipment	<u>3,093,052</u>	<u>181,326</u>	<u>131,218</u>	<u>3,143,160</u>
Total accumulated depreciation	<u>22,447,362</u>	<u>1,067,735</u>	<u>155,847</u>	<u>23,359,250</u>
Total capital assets, being depreciated, net	<u>32,561,769</u>	<u>6,181,442</u>	<u>33,899</u>	<u>38,709,312</u>
Right to use assets, being depreciated:				
SBITA asset	<u>65,174</u>	-	-	<u>65,174</u>
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	-	<u>17,291</u>	-	<u>17,291</u>
Total accumulated amortization	-	<u>17,291</u>	-	<u>17,291</u>
Total right to use assets, being amortized, net	<u>65,174</u>	<u>(17,291)</u>	-	<u>47,883</u>
Capital assets, being depreciated/amortized, net	<u>32,626,943</u>	<u>6,164,151</u>	<u>33,899</u>	<u>38,757,195</u>
Business-type activities capital assets, net	<u>\$35,593,232</u>	<u>\$11,569,448</u>	<u>\$ 7,090,170</u>	<u>\$40,072,510</u>

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
General government	\$ 127,795
Security of persons and property	31,850
Transportation	773,445
Economic environment	1,630
Culture and recreation	265,290
Capital assets held by the City's internal service funds are charged to various functions based on usage of assets.	<u>173,862</u>
Total depreciation expense – governmental activities	<u>\$1,373,872</u>
Business-type activities:	
Water	\$ 594,505
Sewer	338,701
Storm water drainage	33,366
Capital assets held by the City's internal service funds	<u>118,454</u>
Total depreciation expense – business-type activities	<u>\$1,085,026</u>

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D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2024 is as follows:

Transfers:			
<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor govt.	General Fund	100,000	Debt service
	Nonmajor govt.	20,000	Routine operating
	Nonmajor govt.	<u>435,710</u>	Debt service
Total		<u>\$ 550,710</u>	

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%	\$ 770,000
Governmental activities - Roadway improvements	2.00% - 4.00%	<u>1,960,000</u>
		<u>\$2,730,000</u>

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

<u>Year ending</u> <u>December 31</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 335,000	\$ 104,660
2026	335,000	94,630
2027	350,000	81,600
2028	370,000	67,990
2029	170,000	53,600
2030-2034	955,000	160,600
2035-2039	<u>215,000</u>	<u>8,600</u>
Total	<u>\$2,730,000</u>	<u>\$ 571,680</u>

The city has also received government loans for the construction of capital projects. In 2016 the City 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
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In addition, on December 6, 2022, the city was awarded a loan from the State of Washington Aviation Division's Community Aviation Revitalization Loan (CARB) program to replace aging fuel tanks at the Southwest Washington Regional Airport. The amount of the loan is \$1,200,000 with a 2% interest rate over 20 years. As of December 31, 2024, the city has drawn down \$981,170 on this loan. As of the Date of this annual report, the city has drawn down \$998,932. Payments on this loan will commence in February of 2026. (See related note at V.E. Joint Venture)

Also, on January 17, 2024, the city was awarded a loan from the State of Washington Public Works Trust Fund (PWTF) to construct a Water Transmission Line along Kelso Drive. The amount of the loan is \$2,441,000 with a .86% interest rate over 20 years. As of December 31, 2024, the city has not drawn down any funds on this loan. As of the Date of this annual report, the city has drawn down \$66,097.

Government loans outstanding at year-end are as follows:

<u>Issuance</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
2022 CARB Loan - \$989,179	Governmental activities	2.00%	\$981,170
2016 DWSRF - \$4,529,850	Business-type activities	1.50%	<u>\$2,819,084</u>
Total government loans			<u>\$3,800,254</u>

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

<u>Year ending</u> <u>December 31</u>	<u>Governmental activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ -	\$ -	\$ 256,280	\$ 42,286
2026	40,382	29,300	256,280	38,442
2027	41,189	18,816	256,280	34,598
2028	42,013	17,992	256,280	30,754
2029	42,853	17,152	256,280	26,909
2030-2034	227,471	72,555	1,281,404	76,884
2035-2039	251,146	48,879	256,280	3,845
2040-2044	277,286	22,740	-	-
2045-2049	<u>58,830</u>	<u>1,176</u>	-	-
Total	<u>\$981,170</u>	<u>\$228,610</u>	<u>\$2,819,084</u>	<u>\$ 253,718</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 7.76 to 1 coverage. See page 125.

CITY OF KELSO
Notes to the Financial Statements
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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%	\$4,115,000
		<u>\$4,115,000</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>
2025	\$ 345,000	\$ 120,787
2026	360,000	110,438
2027	370,000	99,638
2028	380,000	88,537
2029-2033	1,490,000	274,538
2034-2038	815,000	114,337
2039-2040	<u>355,000</u>	<u>12,037</u>
Total	<u>\$4,115,000</u>	<u>\$ 820,312</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 3,050,000	\$ -	\$ 320,000	\$ 2,730,000	\$ 335,000
G.O. bond premium	213,040		17,753	195,287	-
CARB Loan	-	981,170	-	981,170	-
Compensated absences*	622,384	566,805**	-	1,189,189	297,297
Net Pension liability	272,270	-	61,843	210,427	-
Total OPEB liability	5,635,441	199,740	474,443	5,360,738	110,000
Leases	60,124	-	55,868	4,256	4,256
SBITA's	36,868	182,595	77,975	141,488	77,689
Asset retirement obligations	<u>203,291</u>	<u>-</u>	<u>203,291</u>	<u>-</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$10,093,418</u>	<u>\$1,930,310</u>	<u>\$1,211,173</u>	<u>\$10,812,555</u>	<u>\$ 824,242</u>
Business-type activities:					
Revenue bonds	\$ 4,455,000	\$ -	\$ 340,000	\$ 4,115,000	\$ 345,000
Revenue bond premium	458,309	-	27,092	431,217	-
Drinking Water State					
Revolving Fund	3,075,364	-	256,280	2,819,084	256,280
Compensated absences*	98,428	85,564**	-	183,992	45,998
Net Pension liability	181,514	-	41,229	140,285	-
SBITA's	65,174	-	22,370	42,804	12,806
Asset retirement obligations	<u>335,200</u>	<u>-</u>	<u>235,200</u>	<u>100,000</u>	<u>-</u>
Business-type activity					
Long-term liabilities	<u>\$ 8,668,989</u>	<u>\$ 85,564</u>	<u>\$ 922,171</u>	<u>\$ 7,832,382</u>	<u>\$ 660,084</u>

*Compensated absences have been recorded in conformity with "GASB Statement No.101- Compensated Absences".

** Additions and reductions are reported at net amounts.

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

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Other Debt Disclosures

The City recognizes a liability relative to the eventual disposition of one of its wells. This obligation, imposed by the Washington State Department of Ecology under the requirements of WAC 173-360A-0810, was estimated by the City Engineer. The remaining useful life of this asset/obligation is estimated to be another 7 years and there is no legally required funding or assurance provisions associated with this obligation. As a result, a liability of \$100,000 has been recorded in both the proprietary fund financial statements and in the government-wide financial statements.

F. Leases

City as Lessor - Governmental

At December 31, 2024, the city has five lease receivables in which it is acting as Lessor. During 2024, the city recognized \$79,906 in lease principal payments and \$2,872 in lease interest revenue. For reporting purposes, these leases became effective 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		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>December 31</u>			
2025	\$ 77,134	\$ 3,949	\$ 81,083
2026	59,412	4,207	63,619
2027	60,481	5,291	65,772
2028	51,558	5,608	57,166
2029-2033	264,035	43,308	307,343
2034-2038	<u>117,378</u>	<u>28,021</u>	<u>145,399</u>
Total	<u>\$ 629,998</u>	<u>\$ 90,384</u>	<u>\$ 720,382</u>

City as Lessee - Governmental

At December 31, 2024, the city has one lease in which it is acting as Lessee for library space. Refer to Note I.E.5, Lease Assets, for information related to Right to Use assets accounted for through these leases. The lease information is as follows:

<u>Purpose</u>	<u>Period ending</u>	<u>Payment Periods</u>
Library Space	1/31/2025	Monthly

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

Year ending <u>December 31</u>	Lease Payables Govt. Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	4,256	244	4,500
Total	<u>\$ 4,256</u>	<u>\$ 244</u>	<u>\$ 4,500</u>

G. Subscription based information technology arrangements (SBITA)

As of 12/31/2024, Kelso, WA has 4 active subscriptions. The subscriptions have payments that range from \$0 to \$59,797 and interest rates that range from 2.8160% to 3.6657%. As of 12/31/2024, the total combined value of the subscription liability is \$184,292, and the total combined value of the short-term subscription liability is \$90,495. The combined value of the right to use asset, as of 12/31/2024 of \$309,895 with accumulated amortization of \$84,544 is included within the Subscription Class activities table found below.

Year ending <u>December 31</u>	SBITA Payables Govt. Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 77,689	\$ 4,210	\$ 81,899
2026	63,799	1,914	65,713
Total	<u>\$141,488</u>	<u>\$ 6,124</u>	<u>\$147,612</u>

Year ending <u>December 31</u>	SBITA Payables Prop. Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 12,806	\$ 1,700	\$ 14,505
2026	14,276	1,100	15,376
2027	15,722	576	16,298
Total	<u>\$ 42,804</u>	<u>\$ 3,376</u>	<u>\$ 46,179</u>

H. Construction Commitments

The city has active construction projects as of December 31, 2024. 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	\$2,739,149	\$ 308,162
South Kelso Railroad Crossing	\$ 6,341	\$3,081,067

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V. Other information

A. Risk management

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

Washington Cities Insurance Authority

The City of Kelso is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 168 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 \$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.

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WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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

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

Association of Washington Cities Employee Benefit Trust Health Care Program

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

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

As of December 31, 2024, 268 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

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

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, 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, 2024 was \$554,586. The AWC Trust HCP is responsible for payment of all covered claims. In 2024, 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 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

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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:

2024	\$	0
2023	\$	0
2022	\$	101

B. Property Taxes

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

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

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

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

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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 2024 was \$1.1191 per \$1,000 on an assessed valuation of \$1,439,972,099 for a total regular levy of \$1,715,442.

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 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 2024, The City of Kelso paid TRRWA a total of \$2,505,788. 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

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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 2024, 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, 2024, the City's ongoing financial responsibility is minimal and the airport is not accumulating significant resources or experiencing fiscal stress that would cause additional material financial benefit or burden on the City in the future.

In December, 2022, the city was awarded a \$1.2 million loan from the State of Washington Aviation Division's Community Aviation Revitalization Loan (CARB) program to replace aging fuel tanks at the Southwest Washington Regional Airport (see note IV.E). However, through a separate interlocal agreement The Board agreed to each share 25% of the debt service until the loan is paid in full. The airport does not issue stand-alone financial statements.

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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 \$176,953 toward the costs of services provided by Cowlitz 911 in 2024. 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 2024:

<u>Aggregate OPEB Amounts – All Plans</u>	
OPEB liabilities	\$ (5,360,738)
Deferred outflows of resources	\$ 63,756
OPEB expenditures	\$ 54,447

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, 2024 there are 11 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 \$124,806 were recognized for post-retirement health care.

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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 \$5,360,738 was measured as of June 30, 2024, 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, 2024 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:** 3.93 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 are 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	\$4,923,790	\$5,360,738	\$5,856,073

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Discount Rate. The following presents the total OPEB liability of the City of Kelso calculated using the current discount rate of 3.93 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.93%) or 1-percentage point higher (4.93%) than the current rate.

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB Liability	\$5,890,156	\$5,360,738	\$4,903,998

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2023	<u>\$ 5,635,441</u>
Changes for the year:	
Interest cost	199,740
Changes in Experience Data and Assumptions	(145,293)
Estimated Benefit payments	<u>(329,150)</u>
Net changes	<u>(274,703)</u>
Balance at 6/30/2024	<u>\$ 5,360,738</u>

Changes in experience data and assumptions reflect a change in the discount rate from 3.65 percent in 2023 to 3.93 percent in 2024.

Deferred outflows of resources of \$63,756 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, 2025.

H. Employee retirement systems and pension plans

The following table represents the aggregate pension amounts for all plans for the year 2024:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (350,712)
Pension assets	\$ 3,125,128
Deferred outflows of resources	\$ 3,029,115
Deferred inflows of resources	\$ (922,794)
Pension expense/expenditures	\$ 25,033

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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.

Public Employees' Retirement System (PERS)

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

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.

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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 0.20 percent. Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2024 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
January – June 2024		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	-
Administrative Fee	.20%	-
Total	9.53%	6.00%
July – August 2024		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.47%	-
Administrative Fee	.20%	-
Total	9.03%	6.00%
September – December 2024		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.55%	-
Administrative Fee	.20%	-
Total	9.11%	6.00%

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

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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 2024 were as follows:

PERS Plan 2/3 (PERS 3 employee contribution rates vary)		
Actual Contribution Rates:	Employer 2/3	Employee 2
January – June 2024		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	-
Administrative Fee	.20%	-
Total	9.53%	6.36%
July – August 2024		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.47%	-
Administrative Fee	.20%	-
Total	9.03%	6.36%
September – December 2024		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.55%	-
Administrative Fee	.20%	-
Total	9.11%	6.36%

The City’s actual plan contributions were \$104,743 to PERS Plan 1 and \$242,983 to PERS Plan 2/3 for the year ended December 31, 2024.

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.

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LEOFF is a cost-sharing, multiple-employer retirement system composed of two separate pension plans for both membership and accounting purposes. Both LEOFF plans are defined benefit plans.

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest-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 1 had no required employer or employee contributions for fiscal year 2024. 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

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salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2024.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2024 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – December 2024		
LEOFF Plan 2	5.12%	8.53%
Administrative Fee	.20%	-
Total	5.32%	8.53%

The City’s actual contributions to the plan were \$164,835 for the year ended December 31, 2024.

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, 2024, the State contributed \$96,422,231 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$104,965.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. 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 *2023 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2023 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, 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%

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Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (c.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.

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS 1.

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, 2024. The inflation component used to create the table is 2.5% and represents the WSIB's most recent long-term estimate of broad economic inflation.

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>% Long-Term Expected Real Rate of Return Arithmetic</u>
Fixed Income	19%	2.10%
Tangible Assets	8%	4.50%
Real Estate	18%	4.80%
Global Equity	30%	5.60%
Private Equity	<u>25%</u>	8.60%
	100%	

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.

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
PERS 1	\$ 515,889	\$ 350,712	\$ 205,848
PERS 2/3	1,502,077	(833,242)	(2,751,191)
LEOFF 1	(928,953)	(1,055,537)	(1,165,926)
LEOFF 2	819,098	(1,236,349)	(2,917,642)

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, 2024, the City reported a total pension liability of \$350,712 for its proportionate share of the net pension liabilities as follows:

	<u>Liability (or Asset)</u>
PERS 1	\$ 350,712
PERS 2/3	\$ (833,242)
LEOFF 1	\$ (1,055,537)
LEOFF 2	\$ (1,236,349)

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

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

	LEOFF 1 Asset
LEOFF 1 – employer’s proportionate share	\$ (1,055,538)
LEOFF 1 – State’s proportionate share of the net pension liability/(asset) associated with the employer	<u>(7,139,632)</u>
TOTAL	<u>\$ (8,195,170)</u>
LEOFF 2 Asset	
LEOFF 2 – employer’s proportionate share	\$ (1,236,349)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	<u>(802,325)</u>
TOTAL	<u>\$ (2,038,673)</u>

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

Plan	Proportionate Share 6/30/23	Proportionate Share 6/30/24	Change in Proportion
PERS 1	% .019879	% .019738	% (.000141)
PERS 2/3	.025679	.025276	(.000403)
LEOFF 1	.036815	.037116	.000301
LEOFF 2	.064673	.066018	.001345

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024 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.

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In fiscal year 2024, 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, 2024, the city recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$(19,461)
PERS 2/3	(59,241)
LEOFF 1	4,582
LEOFF 2	99,153
TOTAL	\$ 25,033

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2024, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (28,063)
Contributions subsequent to the measurement date	49,452	-
TOTAL PERS Plan 1	\$ 49,452	\$ (28,063)
PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 473,466	\$ (1,929)
Net difference between projected and actual investment earnings on pension plan investments	-	(238,783)
Changes of assumptions	460,118	(52,794)
Changes in proportion and differences between contributions and proportionate share of contributions	62,554	(57,454)
Contributions subsequent to the measurement date	124,583	-
TOTAL PERS Plan 2	\$ 1,120,721	\$ (350,960)

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LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (39,896)
TOTAL LEOFF Plan 1	\$ -	\$ (39,896)
LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 909,929	\$ (9,409)
Net difference between projected and actual investment earnings on pension plan investments	-	(203,412)
Changes in assumptions	508,957	(103,922)
Changes in proportion and differences between contributions and proportionate share of contributions	350,219	(187,132)
Contributions subsequent to the measurement date	<u>89,837</u>	<u>-</u>
TOTAL LEOFF Plan 2	\$ <u>1,858,942</u>	\$ <u>(503,875)</u>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2025	\$ (46,442)	\$ (196,690)	\$ (67,082)	\$(128,569)
2026	23,860	371,339	34,754	348,227
2027	(2,527)	166,738	(3,335)	163,641
2028	(2,954)	162,067	(4,233)	175,938
2029	-	74,208	-	195,355
Thereafter	<u>-</u>	<u>67,516</u>	<u>-</u>	<u>510,638</u>
Total	\$ (28,063)	\$ 645,178	\$ (39,896)	\$1,265,230

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 three 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, 2024

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 \$520,996 with the investment portion held in the State investment pool as of December 31, 2024.

A recent actuarial survey has not been done because annual benefits are projected to be approximately \$21,000, the cash available to pay pension benefits is \$520,996 and the average age of current retirees is 84. 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 2024, the City received on behalf payments from taxes on fire insurance premiums in the amount of \$17,279.

I. Reporting Changes

Change in Accounting Principle

In 2024, the City implemented GASB Statement No. 100, Accounting and Financial Reporting for Accounting Changes and Error Reporting. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

In 2024, the City implemented GASB Statement No. 101, Accounting and Financial Reporting for Compensated Absences. GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for the leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Per GASB 100, a change in accounting principle should be reported retroactively by restating the beginning net position, fund balance, or fund net position, as applicable for the cumulative effect, if any, of the change to the newly adopted accounting principle on prior periods. However, the cumulative effect of changes to compensated absences on prior years is immaterial, and as such, prior periods were not restated.

City of Kelso
Required Supplementary Information

Schedule of Employer Contributions
Public Employees Retirement System Plan 1
As of December 31, 2024
Last Ten Fiscal Years

Year Ended December 31,	Statutorily required contributions	Contributions in relation to the statutorily 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%
2024	104,743	(104,743)	-	3,820,478	2.74%

Schedule of Employer Contributions
Public Employees Retirement System Plan 2/3
As of December 31, 2024
Last Ten Fiscal Years

Year Ended December 31,	Statutorily required contributions	Contributions in relation to the statutorily 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%
2024	242,983	(242,983)	-	3,820,478	6.36%

Schedule of Employer Contributions
Law Enforcement Officers and Fire Fighters Retirement Plan 2
As of December 31, 2024
Last Ten Fiscal Years

Year Ended December 31,	Statutorily required contributions	Contributions in relation to the statutorily 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%
2024	164,835	(164,835)	-	3,118,198	5.29%

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

** Contributions are actual employer contributions to the plan. For PERS I this includes the portion of PERS 2/3 contributions that fund the PERS I 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, 2024
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%
2024	0.019738%	350,712	3,615,109	9.70%	84.05%

Schedule of Proportionate Share of the Net Pension Liability (Asset)
Public Employees Retirement System Plan 2/3
As of June 30, 2024
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%
2024	0.025276%	(833,242)	3,615,109	23.05%	105.17%

* 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, 2024
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%
2024	0.037116%	(1,055,537)	(7,139,632)	(8,195,169)	-	N/A	168.48%

Schedule of Proportionate Share of the Net Pension Liability (Asset)
Law Enforcement Officers and Fire Fighters Retirement Plan 2
As of June 30, 2024
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%
2024	0.066018%	(1,236,349)	(802,325)	(2,038,674)	2,907,272	42.53%	109.27%

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

Required Supplementary Information

City of Kelso
Schedule of Changes in OPEB Liability and Related Ratios
Law Enforcement Officers and Fire Fighters Plan 1
As of June 30, 2024
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
2024	199,740	(145,293)	(329,150)	(274,703)	5,635,441	5,360,738

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, 2024**

Other Postemployment Benefits Other Than Pensions

Changes in experience data and assumptions reflect a change in the discount rate from 3.65 percent in 2023 to 3.93 percent in 2024.

Deferred outflows of resources of \$63,756 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, 2025.

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, 2024

	Special Revenue				
	Paths/ Trails	Stadium	Highlander Festival	HUD Block Grant	
Assets					
Cash & cash equivalents	\$ 10,193	\$ 272,146	\$ 13,729	\$ 493,121	\$ 787,083
Receivables (net)					
Taxes	-	26,225	-	-	95,466
Long-term notes receivable	-	-	-	190,700	-
Total Assets	<u>10,193</u>	<u>298,371</u>	<u>13,729</u>	<u>683,821</u>	<u>882,549</u>
Liabilities					
Accounts payable	-	1	31	-	-
Total Liabilities	<u>-</u>	<u>1</u>	<u>31</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted for:					
Paths and trails	10,193	-	-	-	-
Promotion of tourism	-	217,067	-	-	-
Housing/neighborhood rehabilitation	-	-	-	199,318	-
Street maintenance/construction	-	-	-	-	882,549
Capital projects	-	-	-	-	-
Assigned to:					
Recreation	-	-	13,698	-	-
Debt service	-	-	-	-	-
Housing/neighborhood rehabilitation	-	-	-	484,503	-
Promotion of tourism	-	81,303	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balance	<u>10,193</u>	<u>298,370</u>	<u>13,698</u>	<u>683,821</u>	<u>882,549</u>
Total Liabilities and Fund Balances	<u>\$ 10,193</u>	<u>\$ 298,371</u>	<u>\$ 13,729</u>	<u>\$ 683,821</u>	<u>\$ 882,549</u>

City of Kelso
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2024

	Total Non-Major Special Revenue Funds	Debt Service Non Voted G.O. Bond	Capital projects City Hall Fund	Total Non-Major Governmental Funds
Assets				
Cash & cash equivalents	\$ 1,576,272	\$ 196,116	\$ 476,193	\$ 2,248,581
Receivables (net)				
Taxes	121,691	-	24,693	146,384
Long-term notes receivable	190,700	-	-	190,700
Total Assets	<u>1,888,663</u>	<u>196,116</u>	<u>500,886</u>	<u>2,585,665</u>
Liabilities				
Accounts payable	32	-	-	32
Total Liabilities	<u>32</u>	<u>-</u>	<u>-</u>	<u>32</u>
Fund Balances				
Restricted for:				
Paths and trails	10,193	-	-	10,193
Promotion of tourism	217,067	-	-	217,067
Housing/neighborhood rehabilitation	199,318	-	-	199,318
Street maintenance/construction	882,549	-	-	882,549
Capital projects	-	-	500,886	500,886
Assigned to:				
Recreation	13,698	-	-	13,698
Debt service	-	196,116	-	196,116
Housing/neighborhood rehabilitation	484,503	-	-	484,503
Promotion of tourism	81,303	-	-	81,303
Unassigned	-	-	-	-
Total Fund Balance	<u>1,888,631</u>	<u>196,116</u>	<u>500,886</u>	<u>2,585,633</u>
Total Liabilities and Fund Balances	<u>\$ 1,888,663</u>	<u>\$ 196,116</u>	<u>\$ 500,886</u>	<u>\$ 2,585,665</u>

City of Kelso
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended December 31, 2024

	Special Revenue				
	Paths and Trails	Stadium	Highlander Festival	Hud Block Grant	Transportation Benefit District
Revenues					
Taxes	\$ -	\$ 220,530	\$ -	\$ -	\$ 715,898
Intergovernmental	1,129	-	-	-	-
Charges for services	-	-	17,519	-	-
Investment earnings	-	11,346	-	17,037	5,018
Contributions	-	-	2,515	-	-
Miscellaneous	-	53	1,104	-	-
Total revenues	<u>1,129</u>	<u>231,929</u>	<u>21,138</u>	<u>17,037</u>	<u>720,916</u>
Expenditures					
Transportation	-	76,546	-	-	-
Culture and recreation	-	-	38,800	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>76,546</u>	<u>38,800</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,129</u>	<u>155,383</u>	<u>(17,662)</u>	<u>17,037</u>	<u>720,916</u>
Other financing sources (uses)					
Transfers in	-	-	20,000	-	-
Transfers out	-	(120,000)	-	-	(224,050)
Total other financing sources (uses)	<u>-</u>	<u>(120,000)</u>	<u>20,000</u>	<u>-</u>	<u>(224,050)</u>
Net change in fund balances	1,129	35,383	2,338	17,037	496,866
Fund balances - beginning	9,064	262,987	11,360	666,784	385,683
Fund balances - ending	<u>\$ 10,193</u>	<u>\$ 298,370</u>	<u>\$ 13,698</u>	<u>\$ 683,821</u>	<u>\$ 882,549</u>

City of Kelso
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended December 31, 2024

	Total Non-Major Special Revenue Funds	Debt Service	Capital Projects	Total Non-Major Governmental Funds
		Non-Voted G.O. Bond	City Hall Fund	
Revenues				
Taxes	\$ 936,428	\$ -	\$ 299,814	\$ 1,236,242
Intergovernmental	1,129	-	-	1,129
Charges for services	17,519	-	-	17,519
Investment earnings	33,401	1,053	18,070	52,524
Contributions	2,515	-	-	2,515
Miscellaneous	1,157	-	-	1,157
Total revenues	<u>992,149</u>	<u>1,053</u>	<u>317,884</u>	<u>1,311,086</u>
Expenditures				
Transportation	76,546	-	-	76,546
Culture and recreation	38,800	-	-	38,800
Debt service:				
Principal	-	320,000	-	320,000
Interest and fiscal charges	-	114,910	-	114,910
Total expenditures	<u>115,346</u>	<u>434,910</u>	<u>-</u>	<u>550,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>876,803</u>	<u>(433,857)</u>	<u>317,884</u>	<u>760,830</u>
Other financing sources (uses)				
Transfers in	20,000	435,710	-	455,710
Transfers out	(344,050)	-	(211,660)	(555,710)
Total other financing sources (uses)	<u>(324,050)</u>	<u>435,710</u>	<u>(211,660)</u>	<u>(100,000)</u>
Net change in fund balances	552,753	1,853	108,224	660,830
Fund balances - beginning	1,335,878	194,263	394,662	1,924,803
Fund balances - ending	<u>\$ 1,888,631</u>	<u>\$ 196,116</u>	<u>\$ 500,886</u>	<u>\$ 2,585,633</u>

City of Kelso
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 616,000	\$ 721,000	\$ 720,317	\$ (683)
Intergovernmental	262,500	262,500	241,086	(21,414)
Charges for services	5,000	5,000	4,136	(864)
Investment earnings	11,000	11,000	42,873	31,873
Rental/lease income	22,000	22,000	21,475	(525)
Miscellaneous	15,000	15,000	98,398	83,398
Total revenues	<u>931,500</u>	<u>1,036,500</u>	<u>1,128,285</u>	<u>91,785</u>
Expenditures				
Transportation	<u>1,019,000</u>	<u>1,264,000</u>	<u>1,175,696</u>	<u>88,304</u>
Total expenditures	<u>1,019,000</u>	<u>1,264,000</u>	<u>1,175,696</u>	<u>88,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,500)</u>	<u>(227,500)</u>	<u>(47,411)</u>	<u>180,089</u>
Fund balances - beginning	<u>943,333</u>	<u>943,333</u>	<u>943,333</u>	<u>-</u>
Fund balances - ending	<u>\$ 855,833</u>	<u>\$ 715,833</u>	<u>\$ 895,922</u>	<u>\$ 180,089</u>

City of Kelso
Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 511,500	\$ 568,500	\$ 568,241	\$ (259)
Charges for services	7,500	7,500	4,769	(2,731)
Fines	1,000	1,000	417	(583)
Investment earnings	10,000	10,000	13,420	3,420
Total revenues	<u>530,000</u>	<u>587,000</u>	<u>586,847</u>	<u>(153)</u>
Expenditures				
Culture and recreation	683,000	740,000	678,819	61,181
Capital outlay	47,000	107,000	102,439	4,561
Debt service:				
Principal	-	-	52,707	(52,707)
Interest and fiscal charges	-	-	2,134	(2,134)
Total expenditures	<u>730,000</u>	<u>847,000</u>	<u>836,099</u>	<u>10,901</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,000)</u>	<u>(260,000)</u>	<u>(249,252)</u>	<u>10,748</u>
Net change in fund balances	(200,000)	(260,000)	(249,252)	10,748
Fund balances - beginning	393,957	393,957	393,957	-
Fund balances - ending	<u>\$ 193,957</u>	<u>\$ 133,957</u>	<u>\$ 144,705</u>	<u>\$ 10,748</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental earnings	\$ -	\$ 600,000	\$ 424,631	\$ (175,369)
Investment earnings	1,000	1,000	75	(925)
Rental/lease income	28,900	28,900	24,559	(4,341)
Miscellaneous	1,000	1,000	-	(1,000)
Total revenues	<u>30,900</u>	<u>630,900</u>	<u>449,265</u>	<u>(181,635)</u>
Expenditures				
Transportation	67,900	667,900	488,333	179,567
Total expenditures	<u>67,900</u>	<u>667,900</u>	<u>488,333</u>	<u>179,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,000)</u>	<u>(37,000)</u>	<u>(39,068)</u>	<u>(2,068)</u>
Other financing sources (uses)				
Transfers in	27,000	27,000	27,000	-
Total other financing sources (uses)	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>-</u>
Net change in fund balances	<u>(10,000)</u>	<u>(10,000)</u>	<u>(12,068)</u>	<u>(2,068)</u>
Fund balances - beginning	75,657	75,657	75,657	-
Fund balances - ending	<u>\$ 65,657</u>	<u>\$ 65,657</u>	<u>\$ 63,589</u>	<u>\$ (2,068)</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 343,000	\$ 343,000	\$ 364,718	\$ 21,718
Intergovernmental	-	2,073,485	1,638,308	(435,177)
Charges for services	11,000	11,000	6,370	(4,630)
Investment earnings	2,000	2,000	1,978	(22)
Contributions	-	-	100,000	100,000
Rental/lease income	48,000	48,000	51,791	3,791
Miscellaneous	15,000	15,000	63,349	48,349
Total revenues	<u>419,000</u>	<u>2,492,485</u>	<u>2,226,514</u>	<u>(265,971)</u>
Expenditures				
Culture and recreation	489,000	1,169,485	1,113,712	55,773
Capital outlay	30,000	1,423,000	1,117,015	305,985
Debt Service:				
Interest	-	-	21,226	(21,226)
Total expenditures	<u>519,000</u>	<u>2,592,485</u>	<u>2,251,953</u>	<u>340,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(25,439)</u>	<u>74,561</u>
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	-	-	74,561	74,561
Fund balances - beginning	<u>(70,574)</u>	<u>(70,574)</u>	<u>(70,574)</u>	<u>-</u>
Fund balances - ending	<u>\$ (70,574)</u>	<u>\$ (70,574)</u>	<u>\$ 3,987</u>	<u>\$ 74,561</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,300	\$ 1,300	\$ 1,129	\$ (171)
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>1,129</u>	<u>(171)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,300</u>	<u>1,300</u>	<u>1,129</u>	<u>(171)</u>
Net change in fund balances	<u>1,300</u>	<u>1,300</u>	<u>1,129</u>	<u>(171)</u>
Fund balances - beginning	9,064	9,064	9,064	-
Fund balances - ending	<u>\$ 10,364</u>	<u>\$ 10,364</u>	<u>\$ 10,193</u>	<u>\$ (171)</u>

City of Kelso
Stadium Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 200,000	\$ 200,000	\$ 220,530	\$ 20,530
Investment earnings	4,500	4,500	11,346	6,846
Miscellaneous	100	100	53	(47)
Total revenues	<u>204,600</u>	<u>204,600</u>	<u>231,929</u>	<u>27,329</u>
Expenditures				
Culture and recreation	<u>80,200</u>	<u>80,200</u>	<u>76,546</u>	<u>3,654</u>
Total expenditures	<u>80,200</u>	<u>80,200</u>	<u>76,546</u>	<u>3,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>124,400</u>	<u>124,400</u>	<u>155,383</u>	<u>30,983</u>
Other financing sources (uses)				
Transfers out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Net change in fund balances	4,400	4,400	35,383	30,983
Fund balances - beginning	262,987	262,987	262,987	-
Fund balances - ending	<u>\$ 267,387</u>	<u>\$ 267,387</u>	<u>\$ 298,370</u>	<u>\$ 30,983</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 17,200	\$ 17,200	\$ 17,519	\$ 319
Contributions	-	3,500	2,515	(985)
Miscellaneous	1,000	1,000	1,104	104
Total revenues	<u>18,200</u>	<u>21,700</u>	<u>21,138</u>	<u>(562)</u>
Expenditures				
Culture and recreation	<u>38,200</u>	<u>41,700</u>	<u>38,800</u>	<u>2,900</u>
Total expenditures	<u>38,200</u>	<u>41,700</u>	<u>38,800</u>	<u>2,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(17,662)</u>	<u>2,338</u>
Other financing sources (uses)				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	-	-	2,338	2,338
Fund balances - beginning	11,360	11,360	11,360	-
Fund balances - ending	<u>\$ 11,360</u>	<u>\$ 11,360</u>	<u>\$ 13,698</u>	<u>\$ 2,338</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 6,000	\$ 6,000	\$ 17,037	\$ 11,037
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>17,037</u>	<u>11,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,000</u>	<u>6,000</u>	<u>17,037</u>	<u>11,037</u>
Other financing sources (uses)				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>60,000</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>60,000</u>
Net change in fund balances	<u>(54,000)</u>	<u>(54,000)</u>	<u>17,037</u>	<u>71,037</u>
Fund balances - beginning	<u>666,784</u>	<u>666,784</u>	<u>666,784</u>	<u>-</u>
Fund balances - ending	<u>\$ 612,784</u>	<u>\$ 612,784</u>	<u>\$ 683,821</u>	<u>\$ 71,037</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 205,000	\$ 205,000	\$ 715,898	\$ 510,898
Investment earnings	-	-	5,018	5,018
Total revenues	<u>205,000</u>	<u>205,000</u>	<u>720,916</u>	<u>515,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>205,000</u>	<u>205,000</u>	<u>720,916</u>	<u>515,916</u>
Net change in fund balances	<u>205,000</u>	<u>205,000</u>	<u>720,916</u>	<u>515,916</u>
Other financing sources (uses)				
Transfers out	<u>(224,050)</u>	<u>(224,050)</u>	<u>(224,050)</u>	<u>-</u>
Total other financing sources (uses)	<u>(224,050)</u>	<u>(224,050)</u>	<u>(224,050)</u>	<u>-</u>
Net change in fund balances	<u>(19,050)</u>	<u>(19,050)</u>	<u>496,866</u>	<u>515,916</u>
Fund balances - beginning	<u>385,683</u>	<u>385,683</u>	<u>385,683</u>	<u>-</u>
Fund balances - ending	<u>\$ 366,633</u>	<u>\$ 366,633</u>	<u>\$ 882,549</u>	<u>\$ 515,916</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 1,053	\$ 1,053
Total revenues	<u>-</u>	<u>-</u>	<u>1,053</u>	<u>1,053</u>
Expenditures				
Debt service:				
Principal	320,000	320,000	320,000	-
Interest	115,710	115,710	114,910	800
Total expenditures	<u>435,710</u>	<u>435,710</u>	<u>434,910</u>	<u>800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(435,710)</u>	<u>(435,710)</u>	<u>(433,857)</u>	<u>1,853</u>
Other financing sources (uses)				
Transfers in	435,710	435,710	435,710	-
Total other financing sources (uses)	<u>435,710</u>	<u>435,710</u>	<u>435,710</u>	<u>-</u>
Net change in fund balances	-	-	1,853	1,853
Fund balances - beginning	194,263	194,263	194,263	-
Fund balances - ending	<u>\$ 194,263</u>	<u>\$ 194,263</u>	<u>\$ 196,116</u>	<u>\$ 1,853</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 200,000	\$ 200,000	\$ 299,814	\$ 99,814
Investment earnings	2,000	2,000	18,070	16,070
Total revenues	<u>202,000</u>	<u>202,000</u>	<u>317,884</u>	<u>115,884</u>
Excess (deficiency) of revenues over (under) expenditures	<u>202,000</u>	<u>202,000</u>	<u>317,884</u>	<u>115,884</u>
Other financing sources (uses)				
Transfers out	(211,660)	(211,660)	(211,660)	-
Total other financing sources (uses)	<u>(211,660)</u>	<u>(211,660)</u>	<u>(211,660)</u>	<u>-</u>
Net change in fund balances	(9,660)	(9,660)	106,224	115,884
Fund balances - beginning	394,662	394,662	394,662	-
Fund balances - ending	<u>\$ 385,002</u>	<u>\$ 385,002</u>	<u>\$ 500,886</u>	<u>\$ 115,884</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.

Contents	Page
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.

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

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities										
Net investment in capital assets	\$ 56,455	\$ 56,985	\$ 56,850	\$ 59,025	\$ 62,845	\$ 66,459	\$ 72,897	\$ 75,746	\$ 76,041	\$ 78,630
Restricted	1,664	1,085	1,115	2,834	3,182	3,378	5,182	5,493	6,741	8,043
Unrestricted	4,680	5,496	6,086	2,850	2,688	5,124	7,717	9,340	10,621	11,785
Total governmental activities net position	\$ 62,799	\$ 63,566	\$ 64,051	\$ 64,709	\$ 68,715	\$ 74,961	\$ 85,796	\$ 90,579	\$ 93,403	\$ 98,458
Business-type activities										
Net investment in capital assets	\$ 21,087	\$ 22,337	\$ 24,876	\$ 25,677	\$ 25,199	\$ 25,522	\$ 25,805	\$ 28,053	\$ 27,207	\$ 32,527
Restricted	603	478	479	478	366	3,022	95	325	522	650
Unrestricted	7,224	8,626	8,201	8,418	10,363	9,565	15,318	15,213	19,413	17,259
Total business-type activities net position	\$ 28,914	\$ 31,441	\$ 33,556	\$ 34,573	\$ 35,928	\$ 38,109	\$ 41,218	\$ 43,591	\$ 47,142	\$ 50,436
Primary government										
Net investment in capital assets	\$ 77,542	\$ 79,322	\$ 81,726	\$ 84,702	\$ 88,044	\$ 91,981	\$ 98,702	\$ 103,799	\$ 103,248	\$ 111,157
Restricted	2,267	1,563	1,594	3,312	3,548	6,400	5,277	5,818	7,263	8,693
Unrestricted	11,904	14,122	14,287	11,268	13,051	14,689	23,035	24,553	30,034	29,044
Total primary government net position	\$ 91,713	\$ 95,007	\$ 97,607	\$ 99,282	\$ 104,643	\$ 113,070	\$ 127,014	\$ 134,170	\$ 140,545	\$ 148,894

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

Expenses	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities:										
General government	\$ 1,963	\$ 2,201	\$ 2,355	\$ 2,331	\$ 2,255	\$ 2,516	\$ 2,091	\$ 2,746	\$ 2,891	\$ 3,151
Security of persons and property	4,608	5,134	5,392	4,661	5,505	5,022	4,642	5,338	6,286	6,441
Transportation	2,654	3,322	4,287	2,489	3,100	1,851	1,952	2,024	3,239	4,594
Economic environment	374	325	343	302	407	378	387	529	729	611
Culture and recreation	1,107	1,087	1,161	1,228	1,185	1,021	1,022	1,542	1,399	2,370
Interest on long-term debt	109	179	156	149	144	141	124	124	132	127
Total governmental activities expenses	10,815	12,248	13,694	11,160	12,596	10,929	10,218	12,303	14,676	17,294
Business-type activities:										
Water/Sewer	7,645	7,672	8,008	8,836	8,790	8,886	8,317	9,158	9,157	9,664
Solid waste	1,481	1,549	1,575	1,675	1,729	1,822	1,830	1,910	1,929	2,002
Storm water	715	609	665	678	717	527	461	769	608	678
Total business-type activities expenses	9,841	9,830	10,248	11,189	11,236	11,235	10,608	11,837	11,694	12,344
Total primary government expenses	\$ 20,656	\$ 22,078	\$ 23,942	\$ 22,349	\$ 23,832	\$ 22,164	\$ 20,826	\$ 24,140	\$ 26,370	\$ 29,638
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 153	\$ 156	\$ 188	\$ 175	\$ 278	\$ 217	\$ 246	\$ 325	\$ 237	\$ 310
Security of persons and property	279	306	375	268	400	304	264	515	458	298
Transportation	655	599	577	412	416	476	475	488	534	962
Economic environment	76	160	145	156	371	224	452	431	616	452
Culture and recreation	94	99	99	97	115	84	101	137	177	141
Operating grants and contributions	317	192	261	514	787	851	249	207	659	1,775
Capital grants and contributions	663	1,460	601	2,584	3,356	4,123	7,383	2,283	1,083	3,605
Total governmental activities program revenue:	2,237	2,972	2,246	4,206	5,723	6,279	9,170	4,386	3,764	7,543
Business-type activities:										
Charges for services:										
Water/Sewer	8,868	9,035	9,038	9,377	9,655	10,442	10,521	11,196	11,404	11,600
Solid waste	1,427	1,517	1,596	1,642	1,708	1,856	1,854	1,884	1,895	1,939
Storm water	714	762	803	844	878	843	833	816	812	818
Operating grants and contributions	7	25	44	6	152	135	126	158	132	84
Capital grants and contributions	-	1,144	165	146	-	17	375	-	320	432
Total business-type activities program revenues:	11,016	12,483	11,646	12,015	12,393	13,293	13,709	14,054	14,563	14,873
Total primary government program revenues	\$ 13,253	\$ 15,455	\$ 13,892	\$ 16,221	\$ 18,116	\$ 19,572	\$ 22,879	\$ 18,440	\$ 18,327	\$ 22,416
Net (expense)/revenue										
Governmental activities	\$ (8,578)	\$ (9,276)	\$ (11,448)	\$ (6,954)	\$ (6,873)	\$ (4,650)	\$ (1,048)	\$ (7,917)	\$ (10,912)	\$ (9,751)
Business-type activities	1,175	2,653	1,398	826	1,157	2,058	3,101	2,217	2,869	2,529
Total primary government net expense	\$ (7,403)	\$ (6,623)	\$ (10,050)	\$ (6,128)	\$ (5,716)	\$ (2,592)	\$ 2,053	\$ (5,700)	\$ (8,043)	\$ (7,222)

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

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Revenues and other										
Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 1,243	\$ 1,280	\$ 1,300	\$ 1,506	\$ 1,530	\$ 1,577	\$ 1,608	\$ 1,603	\$ 1,672	\$ 1,708
Sales taxes	2,546	2,899	2,883	2,932	3,234	3,419	4,000	4,391	4,411	4,932
Utility taxes	3,099	3,265	3,320	3,358	3,366	3,424	3,424	3,723	3,727	3,765
Business taxes	875	944	945	986	1,009	949	1,143	1,137	1,402	1,412
Excise taxes	157	188	263	450	411	387	502	490	786	1,048
Penalties & interest	4	6	5	9	-	-	-	-	-	-
State entitlements	653	763	804	978	1,041	943	1,095	797	736	848
Investment earnings	55	51	93	142	189	58	20	186	830	897
Miscellaneous	68	631	286	75	99	115	91	363	136	188
Gain/(loss) on sale of capital assets	1	-	135	186	-	24	-	10	36	8
Transfers	-	17	-	(44)	-	-	-	-	-	-
Total governmental activities	<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>	<u>14,806</u>
Business-type activities:										
Investment earnings	18	23	70	148	198	56	8	156	682	765
Miscellaneous	4	1	-	-	-	-	-	-	-	-
Gain/(loss) on sale of capital assets	-	-	(264)	-	-	67	-	-	-	-
Transfers	-	(17)	-	44	-	-	-	-	-	-
Total business-type activities	<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>	<u>765</u>
Total primary government	<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>	<u>\$ 15,571</u>
Change in Net Position										
Governmental activities	\$ 123	\$ 768	\$ (1,414)	\$ 3,624	\$ 4,006	\$ 6,246	\$ 10,835	\$ 4,783	\$ 2,824	\$ 5,055
Business-type activities	1,197	2,660	1,204	1,018	1,355	2,181	3,109	2,373	3,551	3,294
Total primary government	<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>	<u>\$ 8,349</u>

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

Fiscal Year	Property Tax	Sales Tax	Utility Taxes	Business Taxes	Excise Taxes
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
2024	1,708	4,932	3,765	1,412	1,048

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

	<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>	<u>2024</u>
General fund										
Restricted	\$ 92	\$ 118	\$ 119	\$ 103	\$ 354	\$ 440	\$ 775	\$ 893	\$ 1,048	\$ 1,183
Nonspendable	-	-	-	-	-	-	-	-	-	36
Assigned	242	277	312	323	330	362	398	1,114	931	2,454
Unassigned	4,564	5,285	5,482	6,111	6,344	8,189	9,924	10,078	12,195	12,446
Total general fund	<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>	<u>\$ 16,119</u>
All other governmental funds										
Restricted	1,572	3,798	984	841	742	672	810	839	1,182	1,810
Assigned	2,105	2,607	2,867	3,445	2,924	3,093	2,751	3,440	3,138	3,202
Unassigned	(428)	(231)	(84)	-	-	-	(331)	-	-	-
Total all other governmental funds	<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>	<u>\$ 5,012</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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Taxes	\$ 7,928	\$ 8,655	\$ 8,859	\$ 9,254	\$ 9,544	\$ 9,776	\$ 10,677	\$ 11,339	\$ 11,993	\$ 12,869
Licenses and permits	131	174	191	169	284	205	342	230	514	266
Intergovernmental	1,361	2,739	1,121	3,872	5,197	5,859	7,470	4,675	2,649	6,021
Charges for services	1,268	1,311	1,141	1,246	1,375	1,398	1,608	1,835	1,528	1,635
Fines	106	98	105	138	169	155	145	104	97	117
Investment earnings	55	53	96	144	189	58	20	187	815	881
Contributions	55	65	35	4	23	32	15	4	51	111
Rental/lease income	105	112	118	113	106	101	110	114	111	105
Miscellaneous	84	655	257	83	115	114	91	78	186	341
Total revenues	11,093	13,862	11,923	15,023	17,002	17,698	20,478	18,566	17,944	22,346
Expenditures										
General government	2,390	2,712	2,984	3,070	3,086	3,323	3,302	3,794	3,714	3,854
Security of persons and property	4,386	4,808	5,114	5,120	5,205	5,309	5,300	5,737	6,095	6,566
Transportation	928	1,589	3,186	1,492	2,091	978	1,002	1,132	2,402	3,708
Economic environment	381	317	345	310	429	378	403	543	737	578
Culture and recreation	827	885	1,033	1,087	1,058	878	936	1,375	1,205	1,833
Capital outlay	1,192	2,926	1,183	3,098	4,823	4,324	7,531	3,592	1,480	3,741
Debt service										
Principal	140	305	270	270	280	290	295	305	310	454
Interest	86	185	171	164	159	156	139	139	144	139
Total expenditures	10,330	13,727	14,286	14,611	17,131	15,636	18,908	16,617	16,087	20,873
Excess of revenues over (under) expenditures	763	135	(2,363)	412	(129)	2,062	1,570	1,949	1,857	1,473
Other financing sources (uses)										
Transfers in	543	1,517	1,146	962	1,589	677	996	3,128	550	556
Transfers out	(543)	(1,500)	(1,146)	(1,006)	(1,589)	(677)	(936)	(3,128)	(550)	(556)
Proceeds from lease/SBITA finan	-	-	-	-	-	-	-	88	165	183
Bonds issued	-	3,200	-	-	-	-	-	-	-	-
Notes issued	-	-	-	-	-	-	-	-	-	981
Premium on bonds issued	-	355	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	189	259	-	-	-	-	108	-
Total other financing sources (uses)	-	3,572	189	215	-	-	-	88	273	1,164
Net change in fund balances	\$ 763	\$ 3,707	\$ (2,174)	\$ 627	\$ (129)	\$ 2,062	\$ 1,570	\$ 2,037	\$ 2,130	\$ 2,637
Debt service as a percentage of noncapital expenditures*	2.47%	4.54%	3.37%	3.77%	3.57%	3.94%	3.81%	3.41%	3.11%	3.46%

* 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)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Utility Taxes</u>	<u>Business Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
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
2024	1,712	4,932	3,765	1,412	1,048	12,869

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

Fiscal Year	Residential Property ₁	Non-Residential Property ₁	State Assessed Property ₁	Personal Property ₁	Real Property		Direct Tax Rate	Ratio of Assessed Value To Estimated Actual Value ₂
					Total Assessed Value ₁	Estimated Value		
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%
2024	1,020,940	303,834	31,967	83,230	1,439,972	1,608,907	1.1191%	89.5%

₁ Cowlitz County Assessor's Office - distribution represents countywide allocation
₂ Department of Revenue - Property Tax Division

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

Fiscal Year	City Regular	Total City	School District	Port of Longview	Cowlitz County	State of Washington	Cowlitz 2 Fire District	Total
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
2024	1.119	1.119	3.485	0.050	1.072	2.262	1.548	9.535

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

City of Kelso
Principal Property Taxpayers
December 31, 2024
(amounts expressed in thousands)

2024			
<u>Taxpayer</u>	<u>Rank</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
DRI/TCC MID I-5 LLC	1	\$ 42,234	2.93%
Foster Farms Poultry	2	33,703	2.34%
BNSF Railway	3	31,649	2.20%
C & C Logging	4	18,230	1.27%
Terry Moran Trust Etal	5	11,833	0.82%
JMK Limited Partnership	6	11,821	0.82%
Summerwind Properties	7	10,132	0.70%
Amerco Real Estate Company	8	9,607	0.67%
Pucci Davis Properties LLC	9	9,460	0.66%
Brookhollow MHC LLC	10	9,405	0.65%
		<u>\$ 188,074</u>	<u>13.06%</u>

2015			
<u>Taxpayer</u>	<u>Rank</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Foster Farms Poultry	1	\$ 29,040	4.18%
Three Rivers Mall LLC	2	28,455	2.87%
Mario Segale	3	14,664	2.12%
Burlington Northern Santa Fe	4	14,206	1.89%
Safeway Inc.	5	10,536	1.49%
C & C Logging	6	9,717	1.17%
ALS Group USA	7	7,666	1.08%
SW Paper Inc.	8	7,316	1.17%
Allen Street Investments	9	6,937	1.01%
Storedahl Enterprises LLC	10	6,921	1.01%
		<u>\$ 135,458</u>	<u>17.99%</u>

Source: Cowlitz County Assessor's Office

**City of Kelso
Principal Utility Taxpayers
December 31, 2024**

Utility Tax Type	2024			2015		
	Rank	Tax	Percentage of Tax to Total	Rank	Tax	Percentage of Tax to Total
Electricity*	1	\$ 756,277	20.09%	1	\$ 674,179	21.76%
Sewer*	2	625,802	16.62%	2	503,487	16.25%
Water*	3	498,999	13.25%	3	362,387	11.70%
Garbage*	4	193,564	5.14%	4	141,496	4.57%
Cable Television*	5	161,472	4.29%	6	120,098	3.88%
Phone	6	110,464	2.93%	5	123,372	3.98%
Natural Gas*	7	108,551	2.88%	7	61,671	1.99%
		<u>2,455,129</u>	<u>65.21%</u>		<u>1,986,690</u>	<u>64.12%</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)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
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%	34	1,609	100.00%	-	0.00%
2022	1,609	1,569	97.5%	31	1,600	99.44%	9	0.56%
2023	1,675	1,635	97.6%	25	1,660	99.10%	15	0.90%
2024	1,715	1,674	97.6%	-	1,674	97.61%	41	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)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita ²
	General Obligation Bonds	Miscellaneous Notes and Obligations	Water/Sewer Revenue Bonds	Miscellaneous Note and Obligations			
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%	960
2023	3,263	97	4,913	3,141	11,414	1.64%	895
2024	2,925	1,127 3	4,546	2,862	11,460	N/A	897

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

N/A - Information not available.

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

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

³ City borrowed \$981 from Washington State Department of Transportation Aviation Division in 2024.

*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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property²	Per Capita³
2015	\$ 2,175,000	-	\$ 2,175,000	0.30%	\$ 182
2016	5,407,314	-	5,407,314	0.73%	452
2017	5,119,561	-	5,119,561	0.58%	428
2018	4,831,807	-	4,831,807	0.54%	400
2019	4,534,054	-	4,534,054	0.48%	371
2020	4,226,301	-	4,226,301	0.40%	342
2021	3,913,547	-	3,913,547	0.33%	308
2022	3,590,794	-	3,590,794	0.28%	282
2023	3,263,040	-	3,263,040	0.22%	256
2024	2,925,287	-	2,925,287	0.18%	229

*Amounts expressed in thousands

¹Cowlitz County Assessor's Office

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

³Population 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, 2024

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable [†]	Estimated Share of Overlapping Debt
Direct:			
City of Kelso	\$ 2,925,287	100%	\$ 2,925,287
Overlapping:			
Cowlitz County	19,725,000	8%	1,490,103
Kelso School District	84,289,044	35%	29,208,884
Port of Longview	2,975,000	10%	301,401
Cowlitz Fire District #2	7,055,000	28%	1,964,490
Subtotal, overlapping debt	114,044,044		32,964,876
Total direct and overlapping	<u>\$ 116,969,331</u>		<u>\$ 35,890,163</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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Debt limit	\$ 51,768	\$ 52,766	\$ 57,422	\$ 61,334	\$ 65,371	\$ 72,957	\$ 82,194	\$ 91,316	\$ 100,669	\$ 107,998
Total net debt applicable to limit	2,175	5,070	4,800	4,530	4,250	3,960	3,665	3,360	3,050	2,730
Legal debt margin	\$ 49,591	\$ 47,696	\$ 52,622	\$ 56,804	\$ 61,121	\$ 68,997	\$ 78,529	\$ 87,956	\$ 97,619	\$ 105,268
Total net debt applicable to the limit as a percentage of debt limit	4.20%	9.61%	8.36%	7.39%	6.50%	5.43%	4.46%	3.68%	3.03%	2.53%

Legal Debt Margin Calculation for Fiscal Year 2024

Assessed value	\$ 1,439,972
Debt limit (7.5% of total assessed value)	107,998
Debt applicable to limit:	
General obligation bonds	2,730
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>2,730</u>
Legal debt margin	<u>\$ 105,268</u>

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

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

Water/Sewer Revenue Bonds

Fiscal Year	Water/Sewer Revenues¹	Less: Operating Expenses²	Net Available Revenue	Debt Services³		Coverage
				Principal	Interest	
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
2024	12,085,175	8,430,109	3,655,066	340,000	130,988	7.76

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

²Total operating expenses exclusive of depreciation and interest.

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

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

Info available at County level only

Fiscal Year	Population ¹	Per Capita		Unemployment Rate ⁴	School Enrollment ³
		Personal Income ²	Personal Income ²		
2015	11,960	\$ 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	9.1%	4,662
2021	12,720	6,083,588	54,550	6.0%	4,836
2022	12,720	6,116,134	54,630	4.9%	4,766
2023	12,750	6,540,183	57,947	4.8%	4,966
2024	12,780	N/A	N/A	5.3%	4,949

N/A - information not available.

¹Source: Office of Financial Management

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

³Source: Kelso School District

⁴Source: Bureau of Labor Statistics

Personal income amounts are expressed in thousands of dollars.

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

Employer	2024*			2015		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
PeaceHealth / St. John's Hospital	1,740	1	4.60%	1,919	2	4.80%
Weyerhaeuser	1,600	2	4.23%	2,500	1	6.20%
Longview Fibre / Westrock	975	3	2.58%	1,140	3	2.80%
Longview School District	813	4	2.15%	735	6	1.80%
Foster Farms	787	5	2.08%	687	7	1.70%
Kelso School District	734	6	1.94%	637	8	1.60%
Cowlitz County	619	7	1.64%	519	9	1.30%
Nippon Dynawave Packaging	539	8	1.43%			
Norpac	500	9	1.32%			
Lower Columbia College	434	10	1.15%			
Safeway Grocery				328	10	0.80%
JH Kelly, Inc.				787	4	2.00%
Walmart				750	5	1.90%
Total	8,741		23.1%	10,002		24.9%

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

*Most current information is as of 12/31/2023

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

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Government										
Community Development	1.5	3.0	3.0	3.0	3.0	2.0	3.0	3.0	4.0	2.0
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	1.4	1.4	1.4	1.4	1.9	1.4
Admin.	2.0	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Engineering	4.6	5.0	5.0	4.0	5.0	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
Public Safety										
Police										
Officers	25.0	25.0	27.0	26.0	27.0	28.0	28.0	28.0	28.0	27.0
Civilians	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	5.0	5.4
Highways & Streets										
Maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Traffic	1.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Culture and recreation	7.0	7.0	7.0	8.0	6.0	7.0	7.0	7.0	7.0	8.0
Water	8.0	8.5	9.0	9.0	9.5	9.1	9.0	9.0	9.0	9.0
Sewer	6.0	6.5	7.0	7.0	7.5	6.9	7.0	7.0	7.0	7.0
Drainage	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	71.9	75.4	79.4	77.4	79.4	79.4	80.4	80.4	82.5	80.4

Source: City Payroll Department

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

Function	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police										
Physical arrests	1,227	1,169	1,204	1,607	1,393	1,303	1,058	1,059	1,119	969
Traffic violations	645	391	856	2,113	1,885	895	1,080	420	682	1,032
Fire*										
Number of calls answered	4,636	4,950	4,953	4,918	4,950	5,129	5,737	5,952	6,019	5,646
Highways and streets										
Street resurfacing (linear feet)	4,700	4,500	3,000	1,127	500	500	500	1,750	5,544	730
Sanitation*										
Residential refuse collected**	642	677	696	712	725	754	782	780	715	745
Residential recyclables collected**	41	38	41	39	32	36	36	28	25	21
Water										
Number of active service connections	4,784	4,789	4,799	4,810	4,752	4,761	4,750	4,738	4,748	4,768
Water main breaks	3	6	6	10	7	7	5	8	7	12
Average daily consumption (millions of gallons)	2.3	2.2	2.19	2.10	2.10	2.10	2.10	2.10	2.10	2.10
Sewer										
Number of active service connections	3,982	4,029	4,059	4,072	4,127	4,170	4,183	4,185	4,202	4,309
Average daily sewage treatment (millions of gallons)	2.7	2.7	2.7	2.5	2.2	2.6	2.7	2.6	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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	10	10	10	10	9
Highways and streets										
Street (miles)	64	64	64	64	64	64	64	64	64	64
Streetlights	469	483	502	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)	73.85	74.28	56.30	56.46	56.46	56.46	56.46	56.46	56.46	56.46
Fire hydrants	605	606	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)	56.80	57.02	44.84	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.