# MC900390698[1]City of Vader 317 8th Street, P.O. Box 189, Vader, WA 98593-0189 (360) 295-3222 cityclerk@vaderwa.org

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**Notes to the Financial Statements: FY 2024**

**Note 1 - Summary of Significant Accounting Policies**

The City of Vader was incorporated on January 3rd, 1906 and operates under the laws of the state of Washington applicable to a Non-Charter Code City with a Mayor-Council form of government. The City of Vader is a general-purpose local government and provides general administration, public safety, street improvement, and garbage service. In addition, the City owns and operates a sewer system.

The City of Vader reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting S*ystem (BARS) manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

* Financial transactions are recognized on a cash basis of accounting as described below.
* Component units are required to be disclosed but are not included in the financial statements.
* Government-wide statements, as defined in GAAP, are not presented.
* All funds are presented, rather than a focus on major funds.
* The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
* Supplementary information required by GAAP is not presented.
* Ending balances are not presented using the classifications defined in GAAP.

1. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund No. 001

This fund is the primary operating fund of the City of Vader. It accounts for all financial resources except those required or elected to be accounted for in another fund. It contains a department fund 002 used for Street transactions and 003 used for Parks transactions.

Special Revenue Fund No. 105

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Vader.

PROPRIETARY FUND TYPES:

Enterprise Funds No. 407 and 408

These funds account for operations that provide goods or services (sewer utility) to the public and are supported primarily through user charges.

1. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

In accordance with state law, the City of Vader also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

1. Cash and Investments

See Note 5, *Deposits and Investments for additional investments information*.

1. Capital Assets

Capital assets are assets with an initial individual cost of more than $20.00. Capital assets and inventory are recorded as capital expenditures when purchased.

1. Compensated Absences

Vacation leave is shown in the table below for full-time employees and is payable upon separation or retirement.

|  |  |  |  |
| --- | --- | --- | --- |
| **Years of Employment Completed** | **Vacation** | **Bonus** | **Total Vacation Hours Earned Yearly** |
| **Hours** | **Hours** |
| **Earned Yearly** | **Earned Yearly** |
| 1 | 96 hrs | 8 hrs | 104 hrs |
| 2 | 96 hrs | 16 hrs | 112 hrs |
| 3 | 96 hrs | 24 hrs | 120 hrs |
| 4 | 96 hrs | 32 hrs | 128 hrs |
| 5 | 96 hrs | 32 hrs | 128 hrs |
| 6 | 96 hrs | 40 hrs | 136 hrs |
| 7 | 96 hrs | 48 hrs | 144 hrs |
| 8 | 96 hrs | 56 hrs | 152 hrs |
| 9 | 96 hrs | 56 hrs | 152 hrs |
| 10 and over | 96 hrs | 64 hrs | 160 hrs |

Each employee receives 11 recognized paid holidays and after 6 months of employment 4 additional paid personal holidays. Sick leave may be accumulated up to 480 hours. Upon separation or retirement employees do not receive payment for unused sick leave or personal holidays. Payments are recognized as expenditures when paid.

1. Long-Term Debt

See Note 3, *Debt Service Requirements*.

1. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance of the City Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts. The City has reserved funds held in the Special Revenue Fund 105: Real Estate Excise Taxes (REET). All REET funds are deposited as cash.

REET Fund 105 Ending Cash balance for 2024 is $139,442.64.

**Note 2 - Budget Compliance**

The City of Vader adopts annual appropriated budgets for all funds. These budgets are appropriated at each fund level. The budget constitutes the legal authority for the funds’ expenditures. Within the general *(current expense*) fund there are department funds which are detailed on our budget. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

|  |  |  |  |
| --- | --- | --- | --- |
| Fund/Department | Final Appropriated Amounts | Actual Expenditures | Variance |
| General Funds: |  |  |  |
| 001 Current Fund | $368,375.00 | $547,547.16 | $179,172.16 |
| 105 REET Fund | 0.00 | $10,725.96 | $10,725.96 |
| **Total General Fund** | **$368,375.00** | **$558,273.12** | **$189,898.12** |
| Enterprise Funds: |  |  |  |
| 407 Sewer Fund | $502,060.00 | $591,656.51 | $89,596.51 |
| 408 Sew Cap Purch. & Cap  Res Fund | 0.00 | $2,842.01 | $2,842.01 |
| **Total Enterprise Funds:** | **$502,060.00** | **$594,498.52** | **$92,438.52** |
|  |  |  |  |
| **Total City Funds:** | **$870,435.00** | **$1,152,771.64** | **$282,336.64** |

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Vader legislative body.

**Note 3 – Debt Service Requirements**

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Vader & summarizes the City's debt transactions for the year ending on December 31, 2024.

Payments for all debts relating to the Wastewater Treatment System are to be funded by utility rates.

The debt service requirements for debt including principal and interest are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2024** |  | **Interest Rate** | **Interest Pmts** | **Principal Pmts** | **Total Debt Payments** |
| **PW-04-691-PRE-123** | WA DOC | 0.5000% | $18.37 | $3,674.02 | $3,692.39 |
| **ECY – L060007** | Dept of Ecology | 1.500% | $687.61 | $18,769.76 | $19,457.37 |
| **ECY – L1300027** | Dept of Ecology | 2.700% | $2,915.41 | $11,588.09 | $14,503.50 |
| **ECY – L190244** | Dept of Ecology | 2.000% | $787.35 | $4,819.04 | $5,606.39 |
|  |  |  |  |  |  |
|  |  |  | **Total Interest Pmts** | **Total Principal Pmts** | **Total Debt Pmts** |
| **2025** |  |  | $15,182.22 | $49,975.30 | $65,157.52 |
| **2026** |  |  | $14,991.10 | $48,890.67 | $63,881.77 |
| **2027-2038** |  |  | $88,009.28 | $522,908.80 | $610,918.08 |
| **2039-2040** |  |  | $638.76 | $31,699.94 | $32,338.70 |

**Note 4 ‑ Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by the City of Vader. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Vader’s regular levy for the year 2024 was $1.054059199748 per $100,000 on an assessed valuation of $76,621,246.00 for a total regular levy of $82,490.81. There was no tax levy increase from the previous year.

**Note 5 – Deposits and Investments**

Investments are reported at original cost. 2024 Deposits and Investments on December 31, 2024, are as follows:

**Types of 2024 Deposit or Investment**

**Deposit $ Held for others Total**

Timberland Bank Deposits $ 981,869.18 $0.00 $ 981,869.18

LGIP $ 154,716.35 $0.00 $ 154,716.35

OnSite Bank $300.00 $0.00 $300.00

Total $ 1,136,885.53 $0.00 $ 1,136,885.53

Investments in the State Local Government Investment Pool (LGIP)

The City of Vader is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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.

**Note 6 - Pension Plans**

Two full-time and three part-time employees qualified and participated in the Deferred Compensation Program (DCP) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

Actuarial information is on a system-wide basis and is not considered pertinent to the City of Vader’s financial statements. Contributions to the system by an employee are optional and employer contributions are based upon gross wages and time on the job and are covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems

Communications Unit

PO Box 48380

Olympia, WA 98504‑8380

**Note 7 - Other Financing Sources or Uses**

The City of Vader's 2024 other financing sources:

* Capital Lease of property to US Cellular for a cell tower. The lease amount paid in 2024 was $9,171.21.
* City Hall rentals for meetings. 2024 proceeds were $65.00 for the local Lion’s Club.
* $1,167.12 Park Donations.
* $258.13 “2022 Contract” payment from US Bank *(our credit card account holder*).
* $100.00 in scholarships from AWC/RMSA for classes taken in 2024.
* $94,075 WWTP Outfall Diffuser Grant from Lewis County.
* $50,000 Department of Commerce Grant for a GMA Comprehensive Plan Periodic Update

**Note 8 - Risk Management**

The City of Vader is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2019, 100 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of, pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials’ liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have $15 million in both per occurrence and aggregate liability limits. For the first $1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of $250,000, per occurrence, and is reinsured by Great American for the additional $750,000. The $9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The $5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2019, AWC RMSA carried a retention of $200,000 and limits up to $250 million. All commercial policies have been purchased through the Pool’s Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

**Note 9 - Other Disclosures**

1. The 2025 Timberland Bank beginning amount is out of balance. This is because 2024 expenses cleared the checking account in 2025.
2. Law Enforcement - In 2024 the City of Vader continued their contract with the Lewis County Sheriff’s Office for law enforcement services.
3. Schedule 16 – See separate Notes for Schedule 16.
4. Employee Health Benefits - In 2024 one eligible full-time employee participated in the Medical Insurance through **AWC Benefits Trust HCP** and two eligible full-time employees participated in Dental & Vision Insurance through **AWC Benefits Trust HCP** with the city paying a portion as well as the employees. The City fully funded all the premiums for Group Basic Life Insurance and Accidental Death & Dismemberment coverage for both eligible full-time employees, also through **AWC Benefits Trust HCP.** (see below the city’s contributions for 2024)

**CITY CONTRIBUTIONS for 2024**

Medical Coverage $3936.84

Dental Coverage $893.76

Vision Coverage $197.28

Basic Life/AD&D $180.00

The City of Vader 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.

Currently 270 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Permanente, Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental 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 employees/employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of $1.5 million through Commencement Bay Risk Management, and Kaiser ISL at $1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers’ contract to remain in the AWC Trust 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 under 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 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 the 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.