

CITY OF CHEHALIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chehalis (city, the city) was incorporated on November 23, 1883 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 is a general-purpose government and provides public safety, fire prevention, parks and recreation activities, street maintenance and repairs, planning and zoning, judicial administration, water supply/treatment/distribution, sewage collection and treatment, storm & surface water collection, airport, and general administrative services.

The City of Chehalis reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (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. See Note 5 Joint Ventures
- 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 (Schedule 09)* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. 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 interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES

General Fund

This fund is the primary operating fund of the City of Chehalis. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

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

Fund	Fund Name	Fund Use	Primary Revenue Source(s)
103	Transportation Benefit District Fund	Transportation improvements	Voter-approved local sales tax collections
107	Tourism Fund	Lodging Tax Advisory Committee (LTAC) awards funds to entities encouraging tourism promotion	Lodging Tax receipts
195	Community Block Grant Fund	Community Development Block Grant funds were used to fund home-improvement loans during the years 1982-1993	Loan repayment upon property transfer
197	HUD Block Grant Fund	Department of Housing & Urban Development to provide home rehabilitation loans	Loan repayment upon property transfer
199	Federal Advance Grant Control Fund	Costs are paid for items obligated with the annual filing to the US Treasury.	Awards from the Coronavirus Local Fiscal Recovery Funds under the American Rescue Plan Act (ARPA) of 2021

Debt Service Funds

These funds account for the financial resources which are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt. The city uses one Debt Service Fund, "General Obligation (GO) Bond Fund". This fund is used to account for all GO Bond debt service payments. Amounts allocated to the payment of the principal and interest of GO Bonds are deposited into the GO Bond Fund as necessary for the timely payment of amounts due.

Capital Project Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Fund	Fund Name	Fund Use	Primary Revenue Source(s)
301	Public Facilities Reserve Fund	Significant maintenance, repairs and renovation of the City's buildings	Intergovernmental grants, General Fund transfers
303	Park Improvement Fund	Capital improvements to the city's park and recreation facilities	Intergovernmental grants, transfers from General Fund park field rental fees
305	First Quarter percent REET Fund	Capital projects that are listed in the capital facilities plan (CFP) element of the City's comprehensive plan or capital improvement plan (CIP).	First quarter percent (0.25%) real estate excise tax (known as "REET 1") levied by the City on all sales of real estate
306	Second Quarter percent REET Fund	Certain transportation, water/storm/sewer, and park capital purposes and for financing "capital projects" specified in the capital facilities plan element of the city's comprehensive land use plan	Second quarter percent (0.25%) real estate excise tax (known as REET 2) levied by the City on all sales of real estate

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Fund	Fund Name	Fund Use	Primary Revenue Source(s)
404	Wastewater Fund	Operation and maintenance of the sanitary sewage collection system	Charges to customers for services
405	Water Fund	Operation and maintenance of the water distribution system	Charges to customers for services
406	Storm & Surface Water Fund	Operation and maintenance of the stormwater drainage system	Charges to customers for services
407	Airport Fund	Operation and maintenance of the airport and surrounding property	Charges to customers fuel, lease/rental income

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the city in a trustee capacity or as an agent on behalf of others.

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust. The city's Firemen's Pension Fund accumulates resources for pension benefit payments to qualified retired firefighters and qualified surviving spouses.

Custodial Funds

These funds are used to account for assets that the city holds on behalf of others in a custodial capacity. The city has two custodial funds – Court Revenue and Other Agency.

B. 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 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous year.

C. Cash and Investments

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. For further information see Note 5 – *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may accumulate up to 544 hours and is payable upon separation, retirement, or death. Maximum vacation accrual and cash-outs vary according to different union or employment agreements.

Sick leave is accrued at 8 hours a month and may accumulate up to 1,440 hours. Upon separation, retirement, or death, employees receive payment for unused sick leave to a maximum of 720 hours if certain requirements are met. Maximum sick leave accruals and rules for cash-outs vary according to different union or employment agreements. Payments are recognized as expenditures when paid.

Compensatory time may accumulate up to 360 hours and is payable upon request or separation. Maximum accrual and rules for cash-outs vary according to different union or employment agreements.

At year-end, vacation, sick and compensatory time are calculated hour for hour at the individual employee's year-end wage rate. Salaried employees hired after February 2013 may carryover 450 hours of sick leave but forfeit all accrued hours upon termination; they have been excluded from the sick leave liability calculation. With the adoption of GASB 101 in 2024, analysis of sick leave liability for salaried employees hired after February 2013 has been performed. This new guidance requires the city to estimate a liability for leave use in excess of leave earned and accrued in the subsequent accounting period.

Compensated Absences liabilities are reported on Schedule of Liabilities (Schedule 09).

F. Long-Term Liabilities

See Note 7 Long-Term Liabilities, Note 6 Leases, Note 9 Other Post Employment Benefits, and Note 10 Pension Plans.

G. Leases and Subscription Based Information Technology Arrangements (SBITA)

Leases are reported as liabilities if the total payments over the life of the lease is more than \$5,000. SBITAs are reported as liabilities if the total payments over the life of the SBITA is more than \$5,000. For more information see Note 6 Leases and Note 13 SBITA.

H. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of ending cash and investments as of December 31, 2024, consist of the following:

Restricted Cash and Investments

Fund Name	Purpose	Authority	Balance 12/31/2024
General	Reserved Cash - Compensatory Flooding	CMC 17.22.035	\$ 12,630
General	Reserved Cash - UNET fund	RCW 69.50.505	152,386
General	Reserved Cash - Substance Abuse Fund	RCW 3.48.010	30,196
General	Municipal Court Trust Account	RCW 3.50	1,912
General	Path & Trails (MVFT)		3,551
General	Retainage	RCW 60.28.011	1,955
	Total General Fund		202,630
TBD	TBD projects	RCW 82.14.0455; 36.73	5,974,396
Tourism	Lodging Tax purposes	RCW 67.28.1815	166,527
CDBG	CDBG purposes	CDBG	1,882
HUD Grant	HUD Grant purposes	HUD Grant	3,231
Federal Grant Control	ARPA Funds Committed for Vactor Truck	U.S. Treasury	122,197
Public Facilities Improvement	Retainage	RCW 60.28.011	3,180
Park Improvement	Donations for Recreation Park (Ballfields)	Donor	124,394
1st Quarter REET	REET purposes	RCW 82.46.010	313,970
2nd Quarter REET	REET purposes	RCW 82.46.035	487,682
Wastewater	Min. Debt Svc Requirement	Debt Covenant	1,693,704
Water	Refundable Customer Deposits	RCW 35.21.217	633,400
Water	Donations for Water Conservation Program	Donor	23,395
Water	FEMA Grant - Intake project	FEMA Grant	186,911
Water	Retainage	RCW 60.28.011	3,736
Storm and Surface Water	Retainage	RCW 60.28.011	5,735
Airport	Refundable Lease Deposits	Lease Contract	54,519
Total Restricted			<u>\$ 10,001,488</u>

Committed Cash and Investments

Fund Name	Purpose	Authority	Balance 12/31/2024
General	Street operations and maintenance	Ord. No. 1110-B	\$ 537,008
General	Building abatement	Ord. No. 1110-B	57,539
General	Emergency (RCW 35A.34.250) reserve	Ord. No. 1110-B	431,101
General	Sales tax revenue stabilization reserve	Ord. No. 1110-B	422,571
General	Compensated absences - retiree cash outs	Ord. No. 1110-B	191,648
General	LEOFF 1 OPEB reserve	Ord. No. 1110-B	509,434
General	Financial software/system upgrades	Ord. No. 1110-B	134,000
General	Vehicle/equipment replacements	Ord. No. 1110-B	859,716
Total General Fund			3,143,017
Public Facilities Reserve	Permanent Fire Station Preliminary Design	Ord. No. 1110-B	206,164
Public Facilities Reserve	Police Evidence Garage	Ord. No. 1110-B	523,077
Public Facilities Reserve	General Facilities Improvements	Ord. No. 1110-B	72,650
Federal Grant Control	Compensated absences - retiree cash outs	Ord. No. 1110-B	175,447
Park Improvement	Sports Complex capital improvement	Ord. No. 1110-B	56,600
Park Improvement	Sports Complex capital improvement-LTAC	Ord. No. 1110-B	94,541
Park Improvement	Lintott/Alexander Park Improvements	Ord. No. 1110-B	20,000
Enterprise	Financial software/system upgrades		116,000
Total Committed			\$ 4,407,495

NOTE 2 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

In 2024, the city adopted GASB 100 which established accounting and reporting requirements for accounting changes and for correcting an error in previously issued financial statements. Accounting changes include changes in accounting principles and changes to or within the reporting entity. This adoption resulted in disclosure of the adoption of GASB 101 below.

The city adopted GASB 101 which updated the recognition and measurement guidance for compensated absences, which qualifies as a change in accounting principle change under GASB 100. Local governments must recognize liability for leave that has not been used as well as liability for leave that has been used but not paid. Under this new guidance, the city performed an analysis for sick leave liability for salaried employees ineligible for cashout at termination of employment. The city's analysis did not result in an additional liability for the current reporting period.

NOTE 3 – BUDGET COMPLIANCES

The City of Chehalis adopts annual appropriated budgets for the general, special revenue, debt service, capital, enterprise, fiduciary, and pension trust funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. 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 follows:

Fund	Fund Name	2024 Final Budget	Expenditures and Other Decreases in Funds Resources	Variance
City Funds:				
001	General Fund	\$ 16,011,729	\$ 15,147,436	\$ 864,293
003	Street Fund	1,510,874	1,082,979	427,895
004	Building Abatement Fund	-	-	-
005	Emergency Fund	-	-	-
006	Sales Tax Revenue Stabilization Fund	-	-	-
102	Arterial Street	-	-	-
103	Transportation Benefit District	1,447,731	1,057,392	390,339
107	Tourism	404,720	392,197	12,523
110	Compensated Absences Reserve Fund	79,800	91,882	(12,082)
115	LEOFF 1 OPEB Reserve Fund	142,475	111,059	31,416
195	Community Dev. Block Grant Fund	150	-	150
197	HUD Block Grant Fund	400	-	400
199	Federal Grant Control	1,764,558	1,642,707	121,851
200	G.O. Bond	298,305	298,355	(50)
301	Public Facilities Reserve Fund	435,991	304,798	131,193
302	Automotive/Equipment Reserve Fund	526,955	461,500	65,455
303	Parks Improvement Fund	1,016,000	31,979	984,021
305	First Quarter REET	130,000	129,942	58
306	Second Quarter REET	446,490	96,662	349,828
402	Garbage	8,567	8,567	(0)
404	Wastewater Fund	7,289,217	6,663,442	625,775
405	Water Fund	4,400,578	3,916,219	484,359
406	Storm & Surface Water Fund	1,026,551	863,289	163,262
407	Airport Fund	3,573,230	3,414,878	158,352
414	Wastewater Capital Fund	1,306,210	582,341	723,869
415	Water Capital Fund	2,598,446	330,801	2,267,645
416	Storm & Surfacewater Capital Fund	1,154,508	496,734	657,774
417	Airport Capital Fund	506,875	386,969	119,906
Total City Funds (C4)		46,080,360	37,512,128	8,568,232
Fiduciary Funds:				
611	Firemen's Pension Fund	7,200	185	7,015
Total Fiduciary Funds (C5)		7,200	185	7,015
Total All Funds		\$ 46,087,560	\$ 37,512,313	\$ 8,575,247

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; 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's legislative body.

The city maintains separate sub-funds for the General Fund and for each Enterprise Fund for budget managerial purposes. Per the reporting standards prescribed by the Washington State *Budget, Accounting, and Reporting System* (BARS) Manual, these sub-funds are rolled into one General Fund and Enterprise Funds for each proprietary function for financial reporting purposes, which requires eliminating interfund

transactions between the General Fund and each Enterprise Funds and their sub-funds. The following tables provides summation of the General Fund and each Proprietary Fund and their sub-funds, net of eliminated transactions:

Reconciling General Fund to the Financial Statements (sub-funds rolled into primary fund)

Fund	Fund Name	2024 Final Budget	2024 Actual Expenditures and Other Decreases in Funds Resources	Variance
001	General Fund	\$ 16,011,729	\$ 15,147,436	\$ 864,293
Sub-funds:				
003	Dedicated Street	1,510,874	1,082,979	427,895
004	Building Abatement	-	-	-
005	Emergency Fund	-	-	-
006	Sales Tax Revenue Stabilization Fund	-	-	-
110	Compensated Absences Reserve Fund	79,800	91,882	(12,082)
115	LEOFF 1 OPEB Reserve Fund	142,475	111,059	31,416
302	Automotive/Equipment	526,955	461,500	65,455
Total General Fund		18,271,833	16,894,854	1,376,979
Less: Interfund Transfers Eliminated		(2,690,288)	(2,712,187)	21,899
General Fund for Financial Statements		\$ 15,581,545	\$ 14,182,667	\$ 1,398,878

Reconciling Waste Water Fund to the Financial Statements (sub-fund rolled into primary fund)

Fund	Fund Name	2024 Final Budget	2024 Actual Expenditures and Other Decreases in Funds Resources	Variance
404	Waste Water Fund	\$ 7,289,217	\$ 6,663,442	625,775
Sub-funds:				
414	Waste Water Capital Fund	1,306,210	582,341	723,869
Total Waste Water Fund		8,595,427	7,245,783	1,349,644
Less: Interfund Transfers Eliminated		(358,100)	(358,100)	-
Waste Water Fund for Financial Statements		\$ 8,237,327	\$ 6,887,683	\$ 1,349,644

Reconciling Water Fund to the Financial Statements (sub-fund rolled into primary fund)

Fund	Fund Name	2024 Final Budget	2024 Actual Expenditures and Other Decreases in Funds Resources	Variance
405	Water Fund	\$ 4,400,578	\$ 3,916,219	484,359
Sub-funds:				
415	Water Capital Fund	2,598,446	330,801	2,267,645
Total Water Fund		6,999,024	4,247,020	2,752,004
Less: Interfund Transfers Eliminated		(767,900)	(767,900)	-
Water Fund for Financial Statements		\$ 6,231,124	\$ 3,479,120	\$ 2,752,004

Reconciling Storm and Surface Water Fund to the Financial Statements (sub-fund rolled into primary fund)

Fund	Fund Name	2024 Final Budget	2024 Actual Expenditures and Other Decreases in Funds Resources	Variance
406	Storm and Surface Water Fund	\$ 1,026,551	\$ 863,289	163,262
Sub-funds:				
416	Storm and Surface Water Capital Fund	1,154,508	496,734	657,774
Total General Fund		2,181,059	1,360,024	821,035
Less: Interfund Transfers Eliminated		(314,000)	(314,000)	-
Storm and Surface Water Fund for Financial St		\$ 1,867,059	\$ 1,046,024	\$ 821,035

Reconciling Airport Fund to the Financial Statements (sub-fund rolled into primary fund)

Fund	Fund Name	2024 Final Budget	2024 Actual Expenditures and Other Decreases in Funds Resources	Variance
407	Airport Fund	\$ 3,573,230	\$ 3,414,878	158,352
Sub-funds:				
417	Airport Capital Fund	506,875	386,969	119,906
Total Airport Fund		4,080,105	3,801,847	278,258
Less: Interfund Transfers Eliminated		(1,071,800)	(1,071,800)	-
Airport Fund for Financial Statements		\$ 3,008,305	\$ 2,730,047	\$ 278,258

NOTE 4 – DEPOSITS AND INVESTMENTS

Investments are reported at original costs. Deposits and investments by type as of December 31, 2024, are as follows:

Types of Deposits and Investments	City's Own Deposits and Investment at Cost		Deposits and Investments held by City as custodian for other local governments, individuals, or private organizations		Total
Cash and Deposits	\$	1,158,856	\$	31,396	\$ 1,190,253
Local Government Investment Pool		28,953,324		1,161,555	30,114,879
US Government Agency Securities		3,944,948		-	3,944,948
Total	\$	34,057,128	\$	1,192,951	\$ 35,250,079

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The city 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. All city's deposits are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered, or held by the city or city's agent in the city's name.

All investments are insured, registered or held by the city or its agent in the government's name.

NOTE 5 –JOINT VENTURES

Chehalis – Centralia Airport

The Chehalis-Centralia Airport (the "Airport") was jointly operated, maintained, and regulated by the cities of Chehalis, Centralia, and Lewis County pursuant to the Chehalis-Centralia Airport Operating Agreement (the "Operating Agreement") between the two cities and the County. The City of Centralia and Lewis County withdrew from the Operating Agreement in August 2004 and January 2014, respectively, and transferred their interest in the real and personal property of the Airport to the City of Chehalis. The city assumes all the obligations of the Airport including the FAA grant agreements.

As a part of the transfer agreement, in the event of the closure of the Airport, the city agrees to grant and convey one-half of the future proceeds of the sale or other disposition of any real property and improvements contributed to the Airport or acquired during the time that the County and the city were joint

owners of the Airport, after deduction of any interest of the City of Centralia in said proceeds pursuant to Chehalis Resolution 9-2004, Centralia Resolution 2432, and County Resolution 04-304. Such payment shall be made for the benefit of and applied exclusively toward the Lewis County Airport located near Toledo, Washington, as the replacement airport for the Chehalis-Centralia Airport, or to another suitable airport owned in whole or in part by the County should the airport near Toledo no longer be owned by the County.

NOTE 6 – LEASES

The city leases 11 copiers from various vendors for \$2,503 a month under multiple 5-year lease agreements that cannot be cancelled.

The city leases 2 mailing systems from Pitney Bowes, Inc. for \$500 per quarter for multiple 5-year lease agreements.

The city leases a 15' x 15' space as a police and fire radio transmitter site from a landowner for \$125 per month with a 15-year agreement. The lease began July 1, 1997 for 15 years with the right to renew and extend for two (2) additional 15-year periods. The current 15-year period is due to end June 30, 2027.

The total amount paid for leases in 2024 was \$28,456. As of December 31, 2024, the future lease payments are as follows:

Year ended December 31	Governmental Fund	Proprietary Fund	Total Lease Payments
2025	\$ 22,246	\$ 4,557	\$ 26,803
2026	22,246	4,557	26,803
2027	18,962	4,338	23,300
2028	9,495	3,679	13,174
2029	4,360	831	5,191
Total	\$ 77,309	\$ 17,963	\$ 95,271

Lease liability is also reported on Schedule 09.

NOTE 7 – LONG-TERM LIABILITIES

The following table provides details of the outstanding debt of the city and summarizes the city's debt transactions for year ended December 31, 2024.

Loan ID	Maturity Date	Debt Type	1/1/2024 Balance	Additions	Reduction	12/31/2024 Balance	Principal Acct
2011 LTGO Bond (US Bank)	12/1/2026	GO	285,000		85,000	200,000	200.OC.591.018.71.00
2019 LTGO Parks Bond (Commerce Bank)	8/1/2034	GO	690,000		56,000	634,000	200.OC.591.076.71.01
2020 LTGO Fire Bond (JPMorgan Chase)	10/1/2035	GO	1,412,000		107,000	1,305,000	200.OC.591.022.71.02
2023 John Deere Mower (JD Financial)	12/15/2027	GO	60,238		13,745	46,493	001.F2.594.018.71.01
2017 Chip Spreader (SSB Loan)	10/25/2024	GO	35,014		35,014	0	003.04.591.095.71.00
05-96300-008, SRFL#5, WTP Ph IV (DOH)	10/1/2026	GO	189,019		63,006	126,013	405.10.591.034.78.01
CARB Loan - Above Ground Fuel Storage	7/1/2042	GO	730,130		31,966	698,164	407.09.591.046.72.01
Lewis County .09 Loan Arkansas	12/1/2035	GO	103,494		23,905	79,589	407.09.591.046.71.01
Total General Obligation Liabilities			3,504,896	0.00	415,636	3,089,260	
L0400015 SRFL#1, Reuse (DOE)	5/1/2024	Revenue	82,648		82,648	0	404.11.591.035.72.00
L050014A SRFL #3A, CRWRF (DOE)	6/30/2027	Revenue	5,707,181		1,630,623	4,076,559	404.11.591.035.72.11
L050014B SRFL #3B, RTB (DOE)	9/30/2028	Revenue	197,728		39,546	158,182	404.11.591.035.72.12
EL150003 SRFL , I & I (DOE)	12/31/2036	Revenue	261,395		17,337	244,058	404.11.591.035.78.00
DM13-952-179 High Level (DOH)	10/1/2027	Revenue	343,400		85,850	257,550	405.10.591.034.78.03
DM13-952-180 Redundant Floc (DOH)	10/1/2037	Revenue	848,400		60,600	787,800	405.10.591.034.78.02
PCL29505 Market St Pinch Point	10/1/2034	Revenue			-	0	405.10.591.034.78.04
Total Revenue and Other (non G.O.) Liabilities			7,440,752	0.00	1,916,604	5,524,149	
Grand Total			10,945,648	0.00	2,332,240	8,613,409	

Bonds & Loans

The debt service requirements for outstanding general obligation bonds and revenue bonds and other debt (including State Revolving Fund loans, Distressed County loans, and bank loans) are as follows:

Year	G.O. Debt			Revenue Debt			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	395,781	63,515	459,296	1,834,376	22,367	1,856,743	2,230,157	85,882	2,316,039
2026	411,158	53,849	465,007	1,834,807	18,831	1,853,638	2,245,965	72,680	2,318,645
2027	249,520	43,632	293,152	1,019,937	16,192	1,036,129	1,269,457	59,824	1,329,281
2028	214,025	38,023	252,048	119,227	13,544	132,771	333,252	51,567	384,819
2029	215,294	33,952	249,246	80,145	12,172	92,317	295,439	46,124	341,563
2030-2034	1,133,342	106,401	1,239,743	408,072	39,875	447,947	1,541,414	146,276	1,687,690
2035-2039	335,841	27,606	363,447	227,584	6,826	234,410	563,425	34,432	597,857
2040-2042	134,300	5,407	139,707	-	-	-	134,300	5,407	139,707
TOTALS	3,089,261	372,385	3,461,646	5,524,148	129,807	5,653,955	8,613,409	502,192	9,115,601

Compensated Absences

During the year ended December 31, 2024, the following changes occurred in compensated absences:

Description	Beginning Balance 01/01/2024	Additions	Reductions	Ending Balance 12/31/2024
Compensated Absences (Governmental)	984,987	110,296		1,095,283
Compensated Absences (Proprietary)	244,140	11,512		255,652
Total	1,229,127	121,808		1,350,935
*additions and reductions are reported as a net change				

NOTE 8 - OTHER DISCLOSURES

A. Construction and Other Commitments

The city has active construction projects or other commitments as of December 31, 2024. The city's significant projects and commitments are as follows:

Project Name	Contractor	Paid to Date 12/31/2024	Remaining Commitment	Funding Source	City Funding %
Downtown Market Blvd Renovation - Design, 2025	Hough, Beck & Baird Inc	295,725	178,738	City	100%
Vactor Truck, estimated delivery 2025	Owen Equipment	-	566,855	Grant 22%, City 78%	78%
Ambulance, estimated delivery 2026	Braun Northwest	-	452,000	LOCAL	100%
ERP System Implementation, go-live 2026	Tyler Technologies	4,200	245,800	City	100%
Wastewater Comprehensive Plan, 2025	Kennedy Jenks Consultants, Inc	7,536	491,743	City	100%
Total		\$ 307,461	\$ 1,935,136		

In 2024, the city engaged in planning activities for the removal of a derelict wastewater treatment plant and for flood water storage opportunities. While these projects have short-term cost commitments, the costs are fully offset with grant funding. Ongoing grant support will be considered before moving these projects forward.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

LEOFF 1 OPEB

The city administers a single-employer, defined benefit plan covering post-retirement healthcare and long-term care benefits in accordance with Washington Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Act (RCW 41.26.150) to its LEOFF 1 police and firefighter retirees who established membership in the LEOFF 1 plan retirement system on or before September 30, 1977. The Lewis County Law Enforcement and Firefighter Board (LEOFF Board), in conjunction with the City of Chehalis Human Resources department, administers the plan. The last employer of a retired LEOFF 1 member is responsible for the full cost of any post-retirement medical benefits.

The benefits include medical insurance premiums and premiums for Medicare Part B coverage. Additionally, the city reimburses all eligible out-of-pocket costs, including but not limited to, co-pays for doctor visits and medicines, as well as long-term care costs not covered by Medicare. Dental costs and dependents are not covered.

During 2024, the city paid \$111,058 in total benefits including \$72,051 in insurance premiums and \$39,007 in other out-of-pocket cost reimbursements.

These medical benefits for LEOFF 1 members are funded on a pay-as-you-go basis through the general fund and a portion of the general property tax levy. The City's 2025 Budget includes a property tax levy of \$0.225 per \$1,000 assessed value committed to provide the OPEB plan benefits. LEOFF 1 OPEB benefits are accounted for in the LEOFF 1 OPEB Reserve Fund which is a sub-fund of the general fund.

As of December 31, 2024, the City's LEOFF 1 OPEB plan had ten (10) members, all retirees.

The City's liability for post-retirement medical benefits (OPEB) was calculated utilizing the interactive GASB 75 Alternative Measurement Online Tool for LEOFF 1 provided by the Office of the State Actuary. Total OPEB liabilities for LEOFF 1 retirees as of December 31, 2024, is \$5,118,691, which is included in Schedule 09.

NOTE 10 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Chehalis full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) Plan 1 and 2; and Public Employees' Retirement Systems (PERS) Plans 1, 2 and 3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

LEOFF Plan 1

The City of Chehalis also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding the remaining liability will require new legislation. Starting July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City of Chehalis also participates in LEOFF Plan 2. 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 LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

On June 30, 2024 (the measurement date of the plans) the City's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$ 146,194	0.024422%	\$ 433,939
PERS 2 & 3	\$ 306,340	0.031123%	\$ (1,025,992)
LEOFF 1	\$ -	0.024254%	\$ (689,757)
LEOFF 2	\$ 159,803	0.065224%	\$ (1,221,479)

Only the net pension liabilities are reported on Schedule 09.

B. Local Government Pension Plan

The city is the administrator of the Firemen's Pension Plan, a closed, single-employer, defined benefit pension plan established under RCW 14.16, 14.18, and 14.20. As of December 31, 2024, membership consisted of one individual and the net pension asset was \$1,192,093.

NOTE 11 – PROPERTY TAX

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

Property Tax Calendar	
1-Jan	Tax is levied and becomes an enforceable lien against the properties.
14-Feb	Tax bills are mailed
30-Apr	First of two equal installment payments are due
31-May	Assessed value of property established for next year's levy at 100 percent of market value.
31-Oct	Second installment is due

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

The City's regular levy rate for the year 2024 was \$1.263111549268 per \$1,000 on an assessed valuation of \$1,400,057,375 for a total regular levy of \$1,768,428.64.

The city also has a levy for Emergency Medical Services (EMS). The City's EMS rate for the year 2024 was \$0.347864422342 per \$1,000 on an assessed valuation of \$1,400,057,375 for a total EMS levy of \$487,030.15.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

NOTE 12 - RISK MANAGEMENT

A. Self-insurance

As a government agency, the city has the option to pay unemployment taxes on a reimbursement basis to the State of Washington. In 2024, the city paid \$10,285 in unemployment benefit claims to the State for unemployment taxes.

B. Liability and Damage

The city 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. As of December 31, 2024, WCIA had 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 with deductibles ranging between \$5,000 to \$50,000. 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 sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

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 sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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.

C. Health and Welfare

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 and have enrollment 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 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 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 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 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.

NOTE 13 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

Beginning 2024, the city was party to an agreement to make subscription payments of \$67,300 per year for financial ledger software. The SBITA contract is for 3 years and includes a cancellable option to extend the contract annually thereafter. The contract term began January 1, 2024, but was paused May to December 2024. This resulted in a prepayment for that "paused" period to be applied to the 2025 payment.

The city has one additional SBITA: phishing security & awareness software. This agreement has a 3-year term and will be renegotiated at the end of its term.

The total amount paid for SBITAs in 2024 was \$83,512. As of December 31, 2024, the future SBITA payments are as follows:

<i>Year ended December 31</i>	<i>total</i>
2025	20,404
2026	72,574
2027	66,526
Total	159,505