**CITY OF CENTRALIA**

**NOTES TO CASH FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Centralia was incorporated January 27, 1886, and operated under the laws of the State of Washington applicable to a third class city operating under second class laws as a commission form of government through March 31, 1986. Effective April 1, 1986, the form of government was changed and the City began operating under the laws of a non-charter code city, council-manager plan. The City Council is composed of seven members elected to four-year terms.

The City of Centralia is a general-purpose local government and provides public safety, street improvement and maintenance, parks and recreation, planning and zoning, judicial administration, and general administration services. In addition, the City also owns and operates four utilities – electric, water, wastewater, and storm & surface water.

The City of Centralia 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 10, Component Unit(s), Join Ventures, and Related Parties).
* 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 9) 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 the 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 any 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. 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 specific revenue sources that are restricted or committed to

expenditures for specified purposes of the government.

**Debt Service Funds**

These funs account for the financial resources that are restricted, committed, or assigned to

expenditures for principal, interest and related costs on general long-term debt.

**Capital Projects 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.

**Permanent Funds**

These funds account for financial resources that are legally restricted to the extent that only

earnings, and not principal, may be used for purposes that support programs for the benefit

of the government or its citizenry.

**PROPRIETARY FUND TYPES:**

**ENTERPRISE FUNDS**

These funds account for operations that provide goods or services to the general public and

are supported primarily through user charges.

**Internal Service Funds**

These funds account for operations that provide goods or services to other departments or

funds of the government on a cost reimbursement bases.

**FIDUCIARY FUND TYPES:**

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

**Pension (and Other Employee Benefit) Trust Funds**

This fund is used to report fiduciary activities for pension and OPEB plans administered through

a trust. The Firemen’s Pension Fund accumulates resources for pension benefit payments to

qualified retired firefighters and qualified widows.

**Private-Purpose Trust Funds**

These funds report all trust arrangements under which principal and income benefit individuals,

private organizations or other governments.

**Custodial Funds**

These Funds are used to account assets that the government holds on behalf of others in a

custodial capacity.

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

**C. Cash and Investments**

See Note 3 – Deposits and Investments

**D. Capital Assets**

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

**E. Compensated Absences**

Vacation leave may be accumulated up to 30 days (240 hours) and is payable upon separation, retirement or death (subject to union or employment agreements that may allow for more liberal accumulation and payment).

Sick leave may be accumulated up to 960 hours. Upon separation, retirement, or death, employees receive payment for unused sick leave to a maximum of 360 hours (subject to union or employment agreements that may allow for more liberal accumulation and payment). Payments are recognized as expenditures when paid.

**F. Long-Term Debt**

See Note 6 – Long-Term Debt

**G. 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.

In relation to internal commitments, the City Council, by ordinance or resolution, may establish, modify or rescind such commitment.

Restricted and commitments of Ending Cash and Investments consist of:

Table

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Within the utility funds, and in accordance with bond resolutions and certain related agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including bond reserves, debt service, deposits, and power purchases.

**NOTE 2 – BUDGET COMPLIANCE**

The City adopts biennial appropriated budgets for the general, debt, special revenue, capital projects, enterprise, internal service and pension trust funds. These budgets are appropriated at the fund level except the general (current expense) fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end.

Biennial 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 by fund were as follows:

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Budgeted amounts are authorized to be transferred between departments within any fund and 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 Council.

Equipment Rental variance is due to the cost of equipment parts and repair, and are charged out to utility funds.

Variance for Street and Transportation Benefit District are due to timing of when anticipated grant funded project payments are made earlier than anticipated.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Investments are reported at original cost. Investments by type at December 31, 2023 are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Type of Investment** | **City’s Own Investments** | **Investments held by City as an Agent** | **Total** |
| Fireman’s Pension |  | $ 985,258.08 | $ 985,258.08 |
| Local Govt Invest Pool | $ 34,150,596.56 |  | $ 34,150,596.56 |
| US Govt Securities | $ 29,076,432.92 |  | $ 29,076,432.92 |
| **Total** | $ 63,227,029.48 | $ 985,258.08 | $ 64,212,287.56 |

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 restriction 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](http://www.tre.wa.gov).

For financial reporting purposes, the City considers the LGIP balance to be cash.

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.

The City deposits and certificates of deposit are mostly 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 its agent in the government’s name.

**Note 4 – Property Tax**

The Lewis 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 City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City’s regular levy for the year 2023 was $0.444507224121 per $1,000 on an assessed valuation of $1,820,601,513.00 for the total regular levy of $1,057,398.19.

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

**Note 5 – Interfund Loans**

From 2004 to 2007, the Wastewater Fund paid $1,640,000 to the General Fund for the purchase of a watershed protection intangible asset. Since 2005, the City and Washington State Auditor’s Office (SAO) have had conflicting opinions regarding the valuation of and accounting for the watershed protection intangible asset. In January 2009, an agreement was reached between the City and SAO to resolve the past findings regarding the interfund payments. In August 2009, the City Council passed a resolution ratifying the agreement whereby the intangible asset will be removed from the Wastewater Fund and $1,640,000 is repaid to the Wastewater Fund by the General Fund via an interfund loan. The non-interest bearing interfund loan is for twenty years and the $82,000 annual payment from the General Fund to the Wastewater Fund commenced in 2010.

Interfund loan activity during 2023:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Borrowing Fund** | **Lending Fund** | **Balance 01/01/23** | **New Loans** | **Repayments** | **Balance 12/31/23** |
| General | Wastewater | $ 574,000 | $ - | $ 82,000 | $ 492,000 |
| Flood Capital Projects | General | $ 314,357 | $ - | $ - | $ 314,357 |
| **Totals** |  | $ 888,357 | $ - | $ 82,000 | $ 806,357 |

**Note 6 – Long-Term Debt Liabilities**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Centralia and summarizes the City’s debt transactions for year ended December 31, 2023.

The debt service requirements for general obligation bonds, revenue bonds and other debt (which includes State Revolving Fund Loans, Public Works Trust Fund Loans, Distressed County Loan and Centralia School District Loan) including both principal and interest, are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Principal** | **Interest** | **Total** |
| 2024 | 3,602,339 | 493,729 | 4,096,068 |
| 2025 | 1,810,277 | 412,243 | 2,222,520 |
| 2026 | 1,894,744 | 328,426 | 2,223,170 |
| 2027 | 998,967 | 242,347 | 1,241,313 |
| 2028 | 1,038,658 | 199,706 | 1,238,263 |
| 2029-2033 | 3,228,327 | 428,765 | 3,657,092 |
| 2034-2038 | 1,230,000 | 112,950 | 1,342,950 |
| 2039-2043 | 0 | 0 | 0 |
| **Total** | **$ 13,803,311** | **$ 2,218,165** | **$ 16,021,476** |

Debt Refunding

On March 17th, 2021 the City refunded 2010 Electric System Revenue bonds to take advantage of reduced interest rates on the market. The City anticipates realizing over $1,400.000 in debt service savings over the remaining term of the bonds, which will retire in 2030.

On March 18th, 2021 the City refunded 2010 General Obligation Debt to take advantage of reduced interest rates on the market. The City anticipates realizing over $95,000 in lower debt service costs over the remaining term of the bonds, which will retire in 2030.

**NOTE 7 – OPEB PLANS**

1. **PEBB**

The City is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan, administered by the Washington State Health Care Authority. The plan provides medical, dental and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The City had 32 active plan members and 5 retired plan members as of June 31, 2023. The City’s total OPEB (PEBB) liability as of December 31, 2023, was $1,249,975 as calculated using the alternative measurement method. The City contributed $99,847 to the plan for the year ended December 31, 2023.

1. **LEOFF 1**

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan. The City has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1 in accordance with the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Act as required by RCW 41.26. These benefits include 100% of the unpaid portion of validated claims for medical and hospitalization costs incurred by pre-Medicare and post-Medicare retirees, health insurance premiums and the premium for a Medicare supplement for each retiree eligible for Medicare.

Employer contributions are partially financed with the new LEOFF1/OPEB Trust Fund (Fund 116) established by the City Council to pay and begin funding the LEOFF1/OPEB liability. As of December 31, 2023, the fund had a balance of $644,437. Annual transfers from the general fund will be made to cover anticipated expenditures and increase funding of the OPEB liability. Expenditures for post-retirement health care benefits are recognized in the budget as retirees report claims. There is no provision for estimated claims incurred but not yet reported to the City.

During 2023, XX retirees received benefits and $157,879.55 was paid out for those benefits (medical insurance premiums and excess medical claims).

As of December 31, 2023, the City’s OPEB liability was $8,756,733 as calculated using the alternative measurement method.

**Note 8 – Pension Plans**

1. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in either the Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plans 1 and 2 or the Public Employees’ Retirement System (PERS) Plans 1, 2, and 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Contributions to the systems of both employee and employer are based upon gross wages covered by plan benefits.

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 comprehensive annual financial report may be obtained by writing to:

Department of Retirement Systems

Communications Unit

PO Box 48380

Olympia, WA 98504-8380

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

LEOFF Plan 1

The City 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 on July 1, 2000 employers and employees contribute zero percent.

LEOFF Plan 2

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

At June 30, 2023 (the measurement date of the plans), the City’s proportionate share of the collective net pension liabilities (schedule 09), was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Employer Contribution | Allocation % | Liability (Asset) |
| PERS 1 | $ 364,707 | 0.063311% | $ 1,346,173 |
| PERS 2/3 | $ 693,555 | 0.076188% | $ (3,122,705) |
| LEOFF 1 | $ - | 0.043471% | $ (1,290,222) |
| LEOFF 2 | $ 159,312 | 0.074008% | $ (1,775,149) |

Only the net pension liabilities are reported on the Schedule of Liabilities

1. **Local Government Pension Plans**

The City is the administrator of a pension retirement system called the Firemen’s Pension System. The system is shown as a trust fund in the financial statements of the City. As of December 31, 2023, membership consisted of 9 individuals. The most recent actuarial review of the system was done on January 1st, 2024, by Milliman Inc. to determine the funding requirements. As of that date, the actuarial present value of future benefits was $545,017; the market value of assets held by the Fund was $986,645.

1. **Non-Governmental Plans**

The City provided pension to certain employees through a cost-sharing, multiple-employer defined benefit pension plan subject to the requirements of the GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan.*

**Union Sponsored Pension Plan**

Under collective bargaining agreements (CBA’s) between the City and the International Brotherhood of Teamsters Local Union #252 (‘the Union’), the City provides pension benefits to approximately thirty (30) full-time and qualifying part-time employees. The City and Union have agreed to be bound by the provisions of the Agreement and Declaration of Trust of the Western Conference of Teamsters Pension Trust Fund and agree that the Trustees of that Trust shall act as Trustees on their behalf.

**Western Conference of Teamsters Pension Plan**

The Western Conference of Teamsters Pension Plan (‘the Plan”) is a defined benefit pension plan that is administered by the Western Conference of Teamsters Pension Plan Trust. The Plan is a non-governmental, multiple-employer pension plan providing defined benefit pensions to eligible employees of both state and/or local government employers and employees of employers that are not state or local governmental employers. There is no predominant state or local governmental employer that has covered employees.

The Western Conference of Teamsters Pension Plan Trust issues a publicly available annual audit report that includes financial statements and additional information for the Plan. The latest available annual audit report may be obtained by writing to:

Western Conference of Teamsters Pension Trust

Northwest/Rocky Mountain Area Administrative Office

2323 Eastlake Avenue East

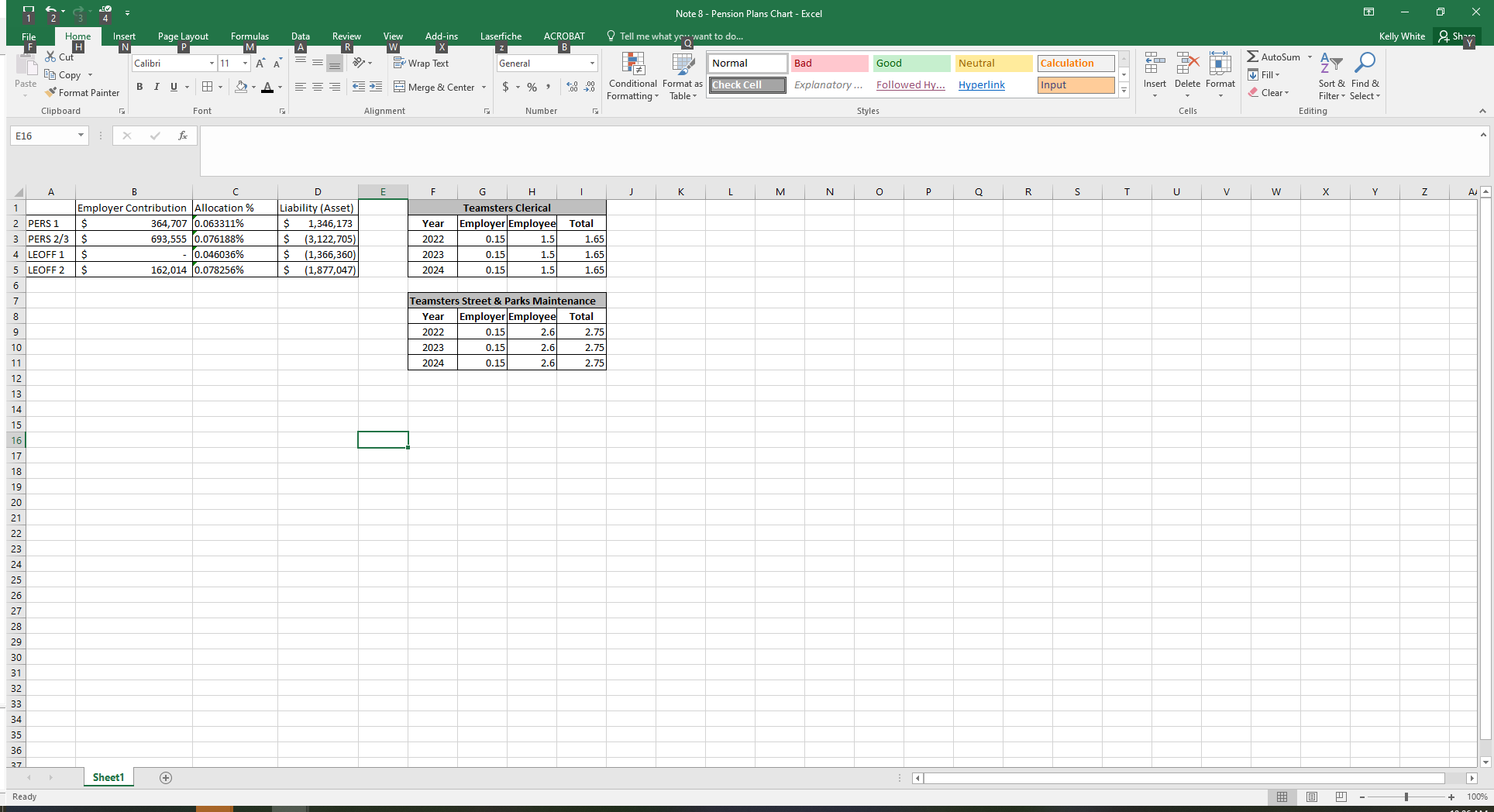
Seattle, WA 98102-3305

The latest annual audit report may be downloaded from the Plan website <http://www.wctpension.org>.

**Contributions**

Employer contributions to the Plan are determined pursuant to CBA’s between the City and the Union for two (2) employee groups that perform work for the City. In addition, covered employees for each employee group may collectively elect to defer a portion of their wages as contributions to the Plan, which are incorporated as amendments to the CBA. Employer contribution rates are established and may be amended during collective bargaining negotiations and are based on hours worked by each covered employee within each bargaining unit employee group. CBA’s for both employee groups currently in effect expire December 31, 2024. While negotiations continue the current CBA is in place during this period of time.

Estimated contribution rates by employee group (expressed as an amount per hour worked) to be in effect at the conclusion of bargaining unit negotiations are:



The City’s required contributions to the Plan for 2023 were $8,633.

**NOTE 9 – Risk Management**

The City of Centralia is a member of the Washington Cities Insurance Authority (WCIA).

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

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

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

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 and privacy, event management, and cyber extortion, with limits up to $1 million and subject to member deductibles, sub-limits, 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 boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members’ deductible to $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.

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 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.

**NOTE 10 – COMPONENT UNIT(S), JOINT VENTURES, AND RELATED PARTIES**

1. **Chehalis – Centralia Airport**

In August of 2004, the City decided to conclude its participation in the Joint Operating Agreement for the Chehalis-Centralia Airport. The two board positions filled by the City have been eliminated. The City will receive a proportional share of any property or assets acquired while the City was an acting party to the agreement if the Airport is sold. Financial statements for the Chehalis-Centralia Airport can be obtained from its administrator at Airport, PO Box 1344, Chehalis, WA 98532.

1. **Lewis County Event Center and Sports Complex**

On March 22, 2010, the City, along with Lewis County Public Facilities District, Centralia School District and Lewis County Event Center LLC, agreed to finance, construct and operate the Lewis County Event Center and Sports Complex (the “Project”). The Project, to be completed in phases, consist of an event center, parking, turf of the football/softball fields, trails and zip line. The project will be a “regional center” under RCW 36.100.030 and RCW 35.57.020 and serve the entire State of Washington and other parts of the Pacific Northwest and western Canada for sports and other events.

1. **Centralia Landfill**

On August 28, 1990, the Centralia Landfill was listed on the Washington State Hazardous Sites List pursuant to Chapter 70.105D RCW, the Model Toxics Control Act, and WAC 173-340-330, and on August 30, 1990, the Landfill was added to the Federal National Priorities List (NPL) pursuant to 42 U.S.C. Section 9605 of the Comprehensive Environment Response, Compensation, and Liability Act (CERCLA or Superfund). As a result of these listings, it was necessary for the Landfill to be remediated pursuant to the requirements of these laws.

On May 1, 1990, Centralia, Chehalis, Morton, Mossyrock, Pe Ell, Vader, and Lewis County entered into an interlocal agreement regarding closure of the Centralia Landfill. Under the agreement, the local governments formed the Centralia Landfill Closure Group (CLCG) and agreed to take all action reasonable necessary to comply with certain environmental laws governing remediation and closure of the Landfill, and to share the costs of such compliance, to the extent such costs are not covered by amounts in the Landfill closure Trust Fund or recovery from insurance claims. The agreement allocated responsibility for those costs among the signing local governments. The City’s allocation of liability is the 35.08% of the costs and fees associated with litigation related to landfill remediation and closure. Parties to the agreement could opt out once the shared costs reached $13 million.

The City reached a settlement of $2.7 million in its claim against its insurers regarding the insurers’ duty to defend and indemnify the City for remediation of the Landfill under the City’s property and comprehensive general liability insurance policies.

In addition to the members of the CLCG, the Washington Department of Ecology (DOE) has identified at least four other potentially liable parties (PLP) who are responsible for assisting in remediating the Landfill. The CLCG negotiated with one of the PLPs to obtain a contribution for cleanup costs.

As local government PLPs in an economically disadvantaged county, the City and other members of the CLCG are eligible to receive up to 75% grant funding for remedial action costs under the DOE remedial action grants program. The City obtained a $1.94 million grand under this program to conduct an estimated $2.66 million interim action at the Landfill. This interim action, which was undertaken pursuant to a consent decree entered into between the members of the CLCG and DOE, was intended to separate storm water from leachate, limit public access to the Landfill, and provide temporary cover over closed portions of the Landfill.

In April 1992, the DOE negotiated with the CLCG members and two other PLPs to develop a scope of ecology work and consent decree for a remedial investigation and feasibility study (RI/FS) at the Landfill. The DOE issued a first phase grant award beginning in January 1993, for RI/FS work.

In April of 1994, the Landfill closed pursuant to agreements and a final cover was installed in the summer of 1994. In August, the CLCG received a Local Government grant of $8.7 million from the Lewis County Sanitation District and a $5 million grant from the DOE to fund the final cover and provide funds for remediation and closure.

The $8.7 million grant from the Lewis County Sanitation District was returned to them in April 1997 because construction activates at the Landfill did not require that support. Remedial investigation leading to feasibility reports have been delivered to the DOE for their review and issuance of a cleanup action plan. The DOE has reviewed the CLCG’s feasibility study and issued a draft Cleanup Action Plan (CAP). The draft CAP was available for public review and comment in September 2000. A second public hearing on the proposed consent decree was held in March of 2001. The order entering the CAP Consent Decree was filed with the United States District Court Western District of Washington at Seattle and signed on May 22, 2001. The Consent Decree stipulated the draft monitoring plans for the landfill needed to be submitted to the DOE in May of 1999; however, changes to the draft monitoring plans were made in late summer of 1999. A letter was submitted to the DOE on June 12, 2001 requesting acceptance and review of the monitoring plans submitted in June of 1999 along with proposed amendments to the plans.

In July 2002, the CLCG received funding approval for a 75% grant through the DOE to purchase two parcels of land to the north of the landfill, construct a fence, and complete the wetland mitigation report. The CLCG completed all of the projects with the exception of the property purchase of one parcel of land known as the Christian School property. The Christian School board members chose not to accept the CLCG’s offer to purchase a portion of their property where the old landfill, which was closed in 1958, lies.

A multi-layer cover system was designed to eliminate infiltration of precipitation into the landfill and direct clean surface runoff into a wetland mitigation area south of the Landfill.

In addition to the cover, a permanent gas collection system was installed beneath the cover and permanent gas flare system was installed adjacent to the Landfill entrance facilities for the gas treatment. Perimeter fencing was completed around the Landfill to enclose all of the Final Cover Area and much of the Closed North End Landfill. Three environmental covenants were recorded for the site to prohibit activates that would result in the release of contaminants.

As required by WAC 173-340-420(2), DOE conducted a 5-year review of the site and held a public comment period for the Periodic Review Draft Report in October 2010. DOE reviews cleanups at least every five years to ensure they protect human health and the environment.

After reviewing this site, DOE has determined that the cleanup actions completed at the site are protective of human health and the environment. DOE will conduct another periodic review in 5 years.

The amended Interlocal Agreement regarding the Centralia Landfill Closure terminated on August 31, 2016. In 2017, responsibility for operating the closed landfill was transferred from the City to the Lewis County Solid Waste Disposal District. Future reporting will be provided by the Lewis County Solid Waste Disposal District.

**NOTE 11 – ENVIRONMENTAL & CERTAIN ASSET RETIREMENT LIABILITIES**

The City has evaluated potential asset retirement obligations (ARO) associated with the retirement of tangible capital assets and has identified the following:

* Decommissioning of the Yelm Hydroelectric Generation Facility
* Decommissioning of the Water Resource Protection Wells
* Decommissioning of the Wastewater Treatment Facility

The Yelm Hydroelectric Generation Facility and the Wastewater Treatment Facility are expected to be operated and maintained into perpetuity. As the City cannot estimate the timing or extent of the obligation associated with these assets, a reasonable estimate of the obligation cannot be made. As such, ARO liabilities have not been recorded for retirement activities associated with these assets. An ARO will be recorded if future events warrant any changes.

The retirement obligation liability for the Water Resource Protection Wells has been determined to be immaterial.

The City does not have any recorded ARO’s as of December 31, 2023.

Centralia Landfill

See Note 10, Part C, for information on the Centralia landfill.

**NOTE 12 – OTHER DISCLOSURES**

1. **Accounting and Reporting Changes**
2. Beginning with Fiscal Year 2011, the City is reporting all funds on a cash basis. It also separately issues GAAP financial statements for the four utility funds.
3. The 2011 implementation of GASB 54 resulted in identification of several previously reported special revenue funds which now do not meet the constraints imposed on revenue sources. The City continues to budget for these funds for managerial purposes. The following are rolled into the General Fund for financial reporting:

Fund 106 Repair and Demolition

Fund 108 Park Improvement

Fund 114 Indoor Pool

Fund 115 Depot Fund

Fund 116 LEOFF 1/OPEB Trust Fund

Fund 124 Borst Park Construction Fund

Fund 125 Borst Home

Fund 130 Washington Lawn Cemetery

Fund 104 Paths and Trails is combined for reporting with Fund 101 streets; its major revenue sources are gas tax and transfers from the Street Fund.

1. **Subsequent Events**

**January 2022 Storm**

In January 2022 there was a wind and flood event which was declared a disaster area by President Biden as a federally declared disaster area. The City of Centralia Yelm Hydro-project canal lining was damaged by high-water cracking the canal liner. The hydro-project generation was shut down because of the damaged canal from January 6th, 2022 until repairs and testing can be completed. Startup began in March 2023. FEMA Funds and Electric Fund resources are paying for the repairs.

1. **Significant Commitments**
2. **Distressed Counties Fund Loan, 2010**

The City, in partnership with the Lewis County EDC, was successful in attracting Millard Refrigeration Services (Millard) to locate within the City’s Urban Growth Area. In the effort to attract Millard to Centralia, the City applied for and was recipient of Lewis County’s Distressed Counties Fund (.09 funds) collected under the authority of RCW 82.14.370. a total of $600,000 (grant for $300,000 and loan for $300,000) was awarded and earmarked for the design and construction of utility infrastructure at Millard’s.

The City began repayment of the $300,000, 2 percent per annum, twenty year loan in December 2010. The City’s General Fund will repay the loan with increased electric utility taxes due to Millard’s operations.

1. **Centralia School District Contract 2013**

On May 15, 2013, the City of Centralia entered into an agreement with the Centralia School District #401 to share the cost of HVAC modernization improvements at the Community Indoor Swimming Pool. The City agreed to provide the School District $20,769.03 per year for ten years beginning September 15, 2013, as its share of the bonded debt issued by the School District. The City’s obligation is included in the Schedule of Liabilities (Schedule 09). As of December 31, 2022, the City’s remaining obligation is $10,385.

**NOTE 13 – LEASES (LESSEES)**

1. During the year ended 2022, the City of Centralia adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The City of Centralia leases 5 copiers from De Lage Landen for $800.24 a month under 60 month lease agreements that can be cancelled with 60-days' notice and severe penalties. As well as 2 copiers from Pacific Office Automation for $2,815.00 per month under 60 month lease agreements that are non-cancelable.

1. The total amount paid for leases in the current reporting period and future lease payments for each of the five subsequent years and in five-year increments thereafter:

The total amount paid for leases in 2023 was $28,904.88. One lease started in 2023, and two ended in 2023. As of December 31, 2023, the future lease payments are as follows:

|  |  |
| --- | --- |
| *Year ended December 31* | *Total* |
| *2024* | $21,968.16 |
| *2025* | $19,318.00 |
| *2026* | $19,080.00 |
| *2027* | $4,675.00 |
| *2028* | $0 |
| *2029-2033* | $0 |
| Total | $93,946.04 |