**CITY OF MORTON**

**NOTES TO THE FINANCIAL STATEMENT**

**JANUARY 1, 2024 THROUGH DECEMBER 31, 2024**

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

The City of Morton was incorporated on December 16, 1912, and operates under the laws of the State of Washington, applicable to a non-charter code city, which was adopted on December 1, 1969. The following is a summary of the more significant policies which result in material departures from generally accepted accounting principles.

The city reports financial activity in accordance with the Cash Bases 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.
* 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

1. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its fund equity, revenues and expenditures. The City’s resources are allocated to and accounted for in individual funds depending on what they are to be spent on and how they are controlled. The following are fund types and account groups used by the City:

GOVERNMENTAL FUND TYPES

Governmental fund operating statements focus on measuring changes in financial position, rather than net income; they present increases and decreases in cash and investments.

General Fund

This fund is a general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues derived from specific taxes, grants, or other sources, which are designated to finance particular activities of the City. These funds include enterprise operations, which under generally accepted accounting principles would be accounted for as proprietary funds.

Debt Services Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

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 basis.

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

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

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 for assets that the government holds on behalf of others, in a custodial capacity.

1. Basis of Accounting

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

In accordance with the state law the city 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 2, *Cash and Investments.*

1. Capital Assets

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

1. Compensated Absences

Vacation leave may be accumulated up to 280 hours and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

1. Long-Term Debt

See Note 5, *Long Term Debt*

1. 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 restriction on use imposed by external parties or due to internal commitments established by (ordinance or resolution) of the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

**NOTE 2 – BUDGET COMPLIANCE**

The city adopts an annual appropriated budget for eight funds. These budgets are appropriated at the fund level (except the general fund, where budget is adopted at the department 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 budget were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Fund/Department** | **Final Appropriated Amounts** | **Actual Expenditures** | **Variance** |
| General Fund: |  |  |  |
| General Government | 487,720 | 470,699 | 17,021 |
| Police | 677,706 | 600,073 | 77,633 |
| Airport | 12,191 | 8,474 | 3,717 |
| Public Safety | 7,438 | 7,436 | 2 |
| Park | 168,271 | 152,334 | 15,937 |
| Road and Street Maintenance | 1,264,611 | 1,251,765 | 12,846 |
| Cemetery | 17,900 | 11,754 | 6,146 |
| Drug Fund | 100 | 0 | 100 |
| Tourism | 31,000 | 25,888 | 5,112 |
| Community Center | 35,527 | 29,108 | 6,419 |
| Water Fund | 1,699,138 | 1,645,704 | 53,434 |
| Sewer Fund | 820,005 | 757,064 | 62,942 |
| **Total:** | **5,221,607** | **4,960,298** | **261,309** |

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

|  |  |
| --- | --- |
| **Type of Deposit or Investments:** | **City's Deposits and Investments:** |
| Bank Deposits | 4,903,012.72 |
| Local Government Investment Pool | 27,040.72 |
| **Total** | **4,930,053.44** |

It is the City’s policy to invest all temporary cash surpluses. The interest on those investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The City of Morton 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).

**NOTE 4 – PROPERTY TAXES**

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

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 when taxes levied.

The City’s regular levy for 2024 was $1.14255 per $1,000 on an assessed valuation for a total regular levy of $269,067.23.

**NOTE 5 – INTERFUND LOANS AND TRANSFERS**

There are no Interfund Loans.

**NOTE 6 – LONG-TERM DEBT**

The accompanying Schedule of Long-Term Debt provides more details of the outstanding debt and liabilities of the City of Morton and summarizes the City’s debt transactions for one year ended December 31, 2024.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Principal** | **Interest** | **Admin** | **Total** |
| 2024 | 382,624.92 | 69,722.87 | 57,201.11 | 509,548.90 |
| 2025 | 459,035.69 | 74,015.54 | 68,384.94 | 601,436.17 |
| 2026 | 459,035.69 | 70,584.75 | 66,496.22 | 596,116.66 |
| 2027 | 459,035.69 | 67,674.46 | 64,577.04 | 591,287.19 |
| 2028 | 459,035.69 | 63,549.16 | 62,626.93 | 585,211.78 |
| 2029 | 459,035.69 | 59,941.55 | 60,645.40 | 579,622.64 |
| 2030 | 459,035.69 | 56,272.20 | 58,631.92 | 573,939.81 |
| 2031 | 459,035.69 | 52,269.62 | 56,585.99 | 567,891.30 |
| 2032 | 459,035.69 | 48,742.29 | 54,507.08 | 562,285.06 |
| 2033 | 459,035.69 | 45,982.51 | 52,394.67 | 557,412.87 |
| 2034 | 459,035.69 | 40,947.14 | 50,248.20 | 550,231.03 |
| 2035 | 459,035.74 | 36,937.60 | 48,067.15 | 544,040.49 |
| 2036 | 373,004.54 | 32,873.93 | 45,850.94 | 451,729.41 |
| 2037 | 373,004.31 | 29,049.18 | 43,599.01 | 445,652.50 |
| 2038 | 346,007.10 | 26,413.03 | 41,310.78 | 413,730.91 |
| 2039 | 321,457.66 | 23,720.23 | 38,985.67 | 384,163.56 |
| 2040 | 238,311.08 | 21,973.85 | 36,623.09 | 296,908.02 |
| 2041 | 242,152.15 | 20,533.45 | 34,222.42 | 296,908.02 |
| 2042 | 246,055.12 | 19,066.84 | 31,783.06 | 296,905.02 |
| 2043 | 250,021.01 | 17,582.62 | 29,304.39 | 296,908.02 |
| 2044 | 254,050.80 | 16,071.46 | 26,785.76 | 296,908.02 |
| 2045 | 258,145.57 | 14,535.92 | 24,226.53 | 296,908.02 |
| 2046 | 262,306.32 | 12,975.64 | 21,626.06 | 296,908.02 |
| 2047 | 266,534.13 | 11,390.21 | 18,983.68 | 296,908.02 |
| 2048 | 270,830.09 | 9,779.23 | 16,298.70 | 296,908.02 |
| 2049 | 275,195.29 | 8,142.28 | 13,570.45 | 296,908.02 |
| 2050 | 279,630.85 | 6,478.94 | 10,798.23 | 296,908.02 |
| 2051 | 284,137.89 | 4,788.80 | 7,981.33 | 296,908.02 |
| 2052 | 288,717.59 | 3,071.41 | 5,119.02 | 296,908.02 |
| 2053 | 293,371.42 | 1,326.34 | 2,210.58 | 296,908.34 |
| **Total** | **10,554,950.48** | **966,413.05** | **1,149,646.35** | **12,161,460.98** |

**NOTE 7 – PENSION PLAN**

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under the cost sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the systems by both the employee and employer are based upon gross wages covered by plan benefits.

Historical trends 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

On June 30, 2024, the city’s proportionate share of the collective net pension liabilities as reported on the Scheduled Liabilities was as follows:

|  |  |  |
| --- | --- | --- |
|  | **Allocation %** | **Liability / (Asset)** |
| **PERS 1** | 0.001970% | 35,004 |
| **PERS 2/3** | 0.002584% | (82,183) |
| **LEOFF 2** | 0.003672% | (68,767) |

**NOTE 8 – RISK MANAGEMENT**

The City of Morton is a member of the Association of Washington Cities Risk Management Services 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 other 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 together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police officials liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery are included with the property reinsurance carrier, and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverages.

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 state retention. AWC RMSA, itself, pays out of its own funds all claims up to $250,000 for liability and $50,000 for property and thereafter purchases excess liability insurance through AIG Insurance Company, from $1 million to $10 million. The excess property coverage is purchased through Lexington with limits up to $250 million. Using the Pool’s broker, Arthur J Gallagher Risk Management Services AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the pool a minimum of one year and must give 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 Government Agreement.

The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

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.

The specific financials of the AWC RMSA can be seen in the AWC RMSA Annual Report on file with the City of Morton.

**NOTE 9 – COVID PANDEMIC**

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued through 2022. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The City of Morton was minimally impacted by the COVID-19 pandemic. No staff was laid off during the pandemic. The City closed its lobby to walk in customers and used the drive through for customers to drop off payments and ask questions.