**City of Winlock**

**Notes to Financial Statements**

**For the year ended December 31, 2024**

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

The City of Winlock was incorporated on February 28, 1883, and operates under the laws of the State of Washington applicable to a Non-Charter Code City. The City of Winlock is a general-purpose local government and provides public safety, street improvements, parks, recreation, water and sewer utilities, and general administration.

The City of Winlock 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.
* Government-wide statements, as defined in GAAP, are not presented.
* All funds are presented, rather than a focus on major funds.
* The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
* Supplementary information required by GAAP is not presented.
* Ending balances are not presented using the classifications defined in GAAP.

1. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund. This Current Expense Fund includes the following managerial funds. Managerial funds are funds which do not have restricted or committed revenue sources. The inter-fund activity between the Current Expense Fund and the managerial funds is eliminated from the financial statements.

The following funds were consolidated with the Current Expense Fund:

001 Current Expense Fund

101 City Street Fund

102 Bridge Project Fund

103 Park Fund

104 Library Fund

105 Street Improvement Fund

111 General Building Reserve Fund

120 Reserve Fund/Contingency 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 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.

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.

1. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Winlock also recognizes expenditures paid during twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

1. Cash and Investments

See Note 3, *Deposits and Investments*.

1. Capital Assets

Capital assets are assets with an initial individual cost of more than Five Thousand and 00/100 Dollars $5,000.00 and an estimated useful life in excess of one (1) year. Capital assets and inventory are recorded as capital expenditures when purchased.

1. Compensated Absences

Vacation leave may be accumulated up to thirty (30) days, two hundred forty (240) 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.

Compensatory time off in lieu of pay for overtime work may be accumulated at a rate of one and one-half times the actual hours of overtime worked and up to a maximum of eighty (80) hours. All unused compensatory time off must be used in the year that it has accrued. All unused compensatory time off shall be cashed out on November 30 of each year. Compensatory time accrued after November 30 of a calendar year may be carried over to the following year. Compensatory time must be taken prior to accumulated vacation leave.

1. Long-Term Debt

The Accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city’s debt transactions for the year ended December 31, 2024.

1. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Winlock City Council. When expenditures that meet restrictions are incurred, the City of Winlock intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of Special Revenue Funds that account for revenue designated to finance particular activities of the City Debt Service Funds which account for resources to pay for principle, interest and related costs of long term debt, Capital Project Funds which account for acquisition or construction of capital projects, Enterprise Funds which account for the operations that provide goods and services to the general public and are supported primarily through user charges.

**Note 2– Budget Compliance**

1. Budgets

The City of Winlock adopts annual appropriated budgets for all 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. 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/Department | Final Appropriated  Amounts | Actual Expenditures | Variance |
| General Fund: |  |  |  |
| 001 – Current Fund | $ 1,634,406 | $ 1,625,104 | $ 9,302 |
| 101-City Street Fund | $ 413,458 | $ 413,387 | $ 71 |
| 102 – Bridge Project Fund | $ 0 | $ 0 | $ 0 |
| 103- Park Fund | $ 50,931 | $ 28,024 | $ 22,907 |
| 104 – Library Fund | $ 8,740 | $ 5,882 | $ 2,858 |
| 105 – Street Improvement Fund | $ 24,650 | $ 24,649 | $ 1 |
| 111- Gen. Bldg. Res. Fund | $ 0 | $ 0 | $ 0 |
| 120- Contingency Fund | $ 0 | $ 0 | $ 0 |
| **Total General Funds** | **$ 2,132,185** | **$ 2,097,046** | **$ 35,139** |
|  |  |  |  |
| **310 – Muni Cap Imp Fund** | **$ 70,500** | **$ 70,500** | **$ 0** |
|  |  |  |  |
| Water Sewer Funds: |  |  |  |
| 401 – Water Sewer Fund | $ 1,610,799 | $ 1,576,257 | $ 58,083 |
| 404 -W/S Contingency Fund | $ 0 | $ 533,834 | $ 0 |
| 407–W/S Redemption Fund | $ 591,584 | $ 593,248 | $ 5 |
| 408-W/S Reserve Fund | $ 0 | $ 0 | $ 0 |
| 410-W/S Cap. Imp. Fund | $ 504,500 | $ 1,411,470 | $ 777 |
| 416-Water Project Fund | $ 0 | $ 0 | $ 0 |
| 417-Sewer Project Fund | $ 0 | $ 0 | $ 0 |
| 420- Consumer Dep. Fund | $ 40,000 | $ 26,524 | $ 13,476 |
| **Total Water Sewer Funds** | **$ 2,746,883** | **$ 4,141,333** | **$ 72,341** |
|  |  |  |  |
| **402-Storm Drain Fund** | **$ 28,701** | **$ 24,008** | **$ 4,693** |
|  |  |  |  |
| **699-Petty Cash** | **$ 0** | **$ 0** | **$ 0** |
|  |  |  |  |
| **Total All Funds** | **$ 4,978,268** | **$ 6,346,800** | **$ 112,173** |

1. The Budget does not reflect the consolidation of managerial funds contained in the Financial Statements.
2. The Budget reflects the inter-fund transfers eliminated with the consolidation in the Financial Statements.
3. Budgeted amounts are authorized to be transferred between departments within any fun/object classes within departments; however, any revisions that alter salary ranges, hours, or other conditions of employment must be approved by the Winlock City Council.

The Winlock City Council approved amendments to the 2024 Budget with Ordinance No.1180 on December 23, 2024.

**Note 3 – Deposits and Investments**

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

All deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission). All investments are insured, registered or held by the City of Winlock or its agent in the government’s name.

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

Type of Investment

L.G.I.P. $1,432,180.15

Bank of New York (Pershing) Investment Bonds $ 996,734.48

Total $2,428,914.63

**Note 4 ‑ Property Tax**

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

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

The City of Winlock’s regular levy for the year 2024 was $0.735184131421 per $1,000 on an assessed valuation of $241,153,192 for a total regular levy of $177,292.00.

# **Note 5 – Debt Service Requirements**

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Winlock and summarizes the City of Winlock’s debt transactions for the year ended December 31, 2024.

The debt service requirements for general obligation bonds, revenue bonds and loans are as follows:

Principal Interest Total

2025 615,181.76 103,473.67 718,655.43

2026 602,626.31 93,769.10 696,395.41

2027 571,505.17 84,249.29 655,754.46

2028 522,010.02 77,285.73 599,295.75

2029 176,968.33 73,320.67 250,289.00

2030-2034 450,474.51 309,943.49 760,418.00

2035-2039 369,479.80 218,834.31 588,314.11

2040-2044 438,582.31 137,297.69 575,880.00

2045-2048 417,058.28 39,332.12 456,390.40

TOTALS $4,163,886.49 $1,137,506.07 $5,301,392.56

**Note 6 – Pension Plans**

1. State Sponsored Pension Plans

Substantially all the City of Winlock’s 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 PERS 2/PERS3

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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems

Communications Unit

P.O. Box 48380

Olympia, WA 98540-8380

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

On June 30, 2024, the city’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Employer Contributions | Allocation % | Liability (Asset) |
| PERS 1 UALL | 16,965 | 0.002834% | $50,356 |
| PERS 2/3 | 36,582 | 0.003717% | ($122,534) |
| LEOFF 2 | 15,574 | 0.006357% | ($119,050) |

LEOFF Plan 2

The City of Winlock also participates in the 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 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.

# **Note 7 – Risk Management**

The City of Winlock is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34

cities 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. As of November 30, 2024, there are 194 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member’s various needs.

The program acquires reinsurance through their administrator, Clear Risk Solutions, Liability coverage is purchased to a group aggregate limit of $50,000,000 with a self-insured retention (SIR) of $750,000. Members are responsible for a $1,000 to $50,000 deductible for each claim, while the program is responsible for the $750,000 SIR. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the $750,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $8,297,362, which is fully funded in its annual budget.

Property insurance is subject to a per-occurrence s of SIR of $750,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $750,000 self-insured retention, in addition to the deductible.

Crime Insurance is subject to a per occurrence SIR of $25,000. Members are responsible for a $1,000 deductible. The program bears the $25,000 SIR in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is $15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of $50,000. Members are responsible for the $10,000 deductible, while the program is responsible for the remaining $40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **December 1, 2024, were $3,307,706.**

A board of ten members is selected by the membership from three (3) geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

**Note 8 - Unemployment Compensation**

The City is self-insured for claims regarding unemployment insurance. Resources have not been set aside for unemployment claims at this time; however, there are adequate funds in both restricted and non-restricted contingency funds. There was one (1) claim for unemployment in 2024.

**Note 9 – Other Disclosures**

* The City of Winlock’s City Clerk/Treasurer was placed on administrative leave in the first quarter of 2020 leaving a void of these services. The City of Toledo was contracted to help with basic Treasurer functions. As of January 1, 2023, the City Clerk/Treasurer position was split into two positions, City Clerk and a City Treasurer. The city retained one employee as the City Clerk and hired a City Treasurer who has been working to fix errors from 2019 to current.
* In November 2022 the City of Winlock experienced a devastating fire in a large commercial building (Haunted Hostel) in the downtown area. As a result of the fire, the building was deemed a hazard due to the instability. The City of Winlock became responsible for the cleanup of the building after the property owner left town. The financial burden began in the 4th quarter of 2022 and carried into 2023 and 2024. The costs incurred were not included in the budget process. The City continues to work on gaining ownership of this property incurring costs with legal fees. As of December 31, 2024 total costs incurred for this property is $255,972.57.
* The City of Winlock completed a large annexation of 1,353.86 acres on October 31, 2023. Increase to tax revenues began in 2024. Property tax revenues from annexed area were not received until 2025. An Interlocal Agreement with Lewis County was entered into for payment of UGA Roadway Capital Investments. Payments will be made annually to Lewis County over six (6) years totaling $478,914.00. Said payments began in 2024.
* December 2023 the Court Administrator was let go from her position. After her departure, her office was inventoried by Judge Allen Unzelman and Jill Davis, City Treasurer. Various amounts of cash were found in different locations within the office. Some cash was locked in a desk drawer and some piles of cash were just out on top of a desk. After discovery of cash it was decided to bring a Court Administrator from a neighboring city (City of Napavine) to help process the inventory. Over the next few weeks, the inventory was completed. An inter-local agreement was put in place to have temporary Court Administrator services provided by the City of Napavine. Everyday court matters were being processed via the interlocal agreement, but the backlog of court work was not being handled due to time constraints. In May 2024 a new Court Administrator was hired by the City of Winlock. By July 2024 most of the court receipts were reconciled leaving the bank account short by over $500 and about $14,000 unaccounted for. A fraud report was filed with SAO on 7/23/2024 by Jill Davis, City Treasurer. In August of 2024, Mayor Brandon Svenson requested an investigation be done by the Centralia Police Department. Charges were referred to the Lewis County Prosecutor’s Office in October 2024. The city has not been made aware of additional developments since October 2024.
* During the progression of the Centralia Police Department’s investigation into the previous Court Administrator the City Clerk (who is also a close relative to the previous Court Administrator) suddenly took a leave of absence. The City Clerk’s last working day was August 19, 2024. She was on PFML until November 30, 2024. She resigned as the City Clerk with her effective date being November 30, 2024. Her departure left a void in services, and the City Treasurer stepped into the City Clerk role as well. A new City Clerk was hired in April 2025.
* In April 2024 the City Clerk executed three (3) separate write-offs of inactive water/sewer utility accounts dating back to 2014. The total amount written off was $333.54.
* On September 4, 2024, the Clerk’s Assistant’s cash drawer was short cash by $100.00. It was determined that the cash was counted incorrectly by the Clerk’s Assistant. It was reported right away to the Mayor and City Treasurer. A written explanation by the Clerk’s Assistant was made and filed.
* During the fourth quarter of 2024 the city was made aware of a property within the city that had multiple occupied rv’s residing. The occupants had been dumping raw sewage from rv’s into an abandoned well site that was potentially creating an issue for the city’s water system. After receiving court orders the city was able to enter the property and clean the well site and have it decommissioned. The city is currently in the process of nuisance abatement. Incurred costs began in November 2024 and continue today.
* The city currently holds interlocal agreements with the City of Toledo for police services, court services, and building permit inspection services. The city also has an interlocal agreement with the City of Napavine for court administration on an “as needed” basis.
* There are no other potential litigations that the city or City Attorney is aware of.