



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Chehalis

For the period January 1, 2022 through December 31, 2022

Published December 28, 2023

Report No. 1033766



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**Office of the Washington State Auditor
Pat McCarthy**

December 28, 2023

Mayor and City Council
City of Chehalis
Chehalis, Washington

Report on Financial Statements

Please find attached our report on the City of Chehalis financial statements.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Chehalis January 1, 2022 through December 31, 2022

Mayor and City Council
City of Chehalis
Chehalis, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Chehalis, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 12, 2023.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Pat McCarthy". The signature is written in black ink and is positioned above the printed name.

Pat McCarthy, State Auditor

Olympia, WA

December 12, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Chehalis January 1, 2022 through December 31, 2022

Mayor and City Council
City of Chehalis
Chehalis, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Chehalis, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Chehalis, and its changes in cash and investments, for the year ended December 31, 2022, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Chehalis, as of December 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 12, 2023

FINANCIAL SECTION

City of Chehalis January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022

City of Chehalis
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 GENERAL FUND	102 ARTERIAL STREET FUND	103 TRANSPORTATI ON BENEFIT
Beginning Cash and Investments					
308	Beginning Cash and Investments	25,677,106	3,649,674	96,854	3,071,696
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	12,628,093	10,487,636	-	1,477,013
320	Licenses and Permits	572,383	572,383	-	-
330	Intergovernmental Revenues	3,447,886	591,480	-	982,622
340	Charges for Goods and Services	12,682,408	504,025	-	-
350	Fines and Penalties	195,835	87,853	-	-
360	Miscellaneous Revenues	703,336	334,911	-	44,503
Total Revenues:		30,229,941	12,578,288	-	2,504,138
Expenditures					
510	General Government	2,590,727	2,579,898	-	-
520	Public Safety	5,822,199	5,821,051	-	-
530	Utilities	6,287,092	-	-	-
540	Transportation	2,150,988	783,902	-	12,513
550	Natural/Economic Environment	771,320	630,656	-	-
560	Social Services	13,295	13,295	-	-
570	Culture and Recreation	865,379	865,379	-	-
Total Expenditures:		18,501,000	10,694,181	-	12,513
Excess (Deficiency) Revenues over Expenditures:		11,728,941	1,884,107	-	2,491,625
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	147,163	-	-	-
397	Transfers-In	1,325,631	361,115	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	273,042	96,969	-	-
Total Other Increases in Fund Resources:		1,745,836	458,084	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,820,254	134,438	-	1,928,556
591-593, 599	Debt Service	2,572,757	126,437	-	-
597	Transfers-Out	1,325,631	509,419	90,828	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	142,981	5,428	-	-
Total Other Decreases in Fund Resources:		7,861,623	775,722	90,828	1,928,556
Increase (Decrease) in Cash and Investments:		5,613,154	1,566,469	(90,828)	563,069
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	9,683,035	202,152	6,026	3,634,765
50841	Committed	2,494,780	1,905,615	-	-
50851	Assigned	16,526,158	522,089	-	-
50891	Unassigned	2,586,287	2,586,287	-	-
Total Ending Cash and Investments		31,290,260	5,216,143	6,026	3,634,765

The accompanying notes are an integral part of this statement.

City of Chehalis
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		107 TOURISM	195 1982-93 COMM DEVELOP BLK	197 HUD BLOCK GRANT	199 FEDERAL ADVANCE GRANT
Beginning Cash and Investments					
308	Beginning Cash and Investments	140,104	24,613	88,501	1,068,806
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	320,926	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	1,069,343
340	Charges for Goods and Services	-	828	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,930	357	1,268	26,297
Total Revenues:		323,856	1,185	1,268	1,095,640
Expenditures					
510	General Government	-	-	-	10,829
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	140,664	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		140,664	-	-	10,829
Excess (Deficiency) Revenues over Expenditures:		183,192	1,185	1,268	1,084,811
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	108,686	-	-	232,947
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		108,686	-	-	232,947
Increase (Decrease) in Cash and Investments:		74,506	1,185	1,268	851,864
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	214,610	25,798	89,769	1,920,670
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		214,610	25,798	89,769	1,920,670

The accompanying notes are an integral part of this statement.

City of Chehalis
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		200 G.O. BOND FUND	301 PUBLIC FACILITIES RESERVE	303 PARK IMPROVEMENT FUND	305 FIRST QUARTER PERCENT REET
Beginning Cash and Investments					
308	Beginning Cash and Investments	5	477,066	-	288,772
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	171,259
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	8,305	22,423	4,309
Total Revenues:		-	8,305	22,423	175,568
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	1,148	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	1,148	-	-
Excess (Deficiency) Revenues over Expenditures:		-	7,157	22,423	175,568
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	299,516	485,000	180,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		299,516	485,000	180,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	187,295	70,705	-
591-593, 599	Debt Service	299,458	-	-	-
597	Transfers-Out	-	180,000	-	130,494
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		299,458	367,295	70,705	130,494
Increase (Decrease) in Cash and Investments:		58	124,862	131,718	45,074
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	52,763	91,429	333,846
50841	Committed	-	549,165	40,000	-
50851	Assigned	63	-	289	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		63	601,928	131,718	333,846

The accompanying notes are an integral part of this statement.

City of Chehalis
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		306 SECOND QUARTER PERCENT REET	402 GARBAGE	404 WASTEWATER FUND	405 WATER FUND
Beginning Cash and Investments					
308	Beginning Cash and Investments	367,157	8,449	5,468,851	7,866,126
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	171,259	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	5,067	5,974,340	3,422,953
350	Fines and Penalties	-	-	56,662	41,613
360	Miscellaneous Revenues	6,261	132	69,845	122,955
Total Revenues:		177,520	5,199	6,100,847	3,587,521
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	5,378	3,402,293	2,408,958
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	5,378	3,402,293	2,408,958
Excess (Deficiency) Revenues over Expenditures:		177,520	(179)	2,698,554	1,178,563
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	176,073
Total Other Increases in Fund Resources:		-	-	-	176,073
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	44,244	585,899
591-593, 599	Debt Service	-	-	1,882,235	236,254
597	Transfers-Out	73,257	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	83,418
Total Other Decreases in Fund Resources:		73,257	-	1,926,479	905,571
Increase (Decrease) in Cash and Investments:		104,263	(179)	772,075	449,065
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	471,420	-	1,879,904	616,563
50841	Committed	-	-	-	-
50851	Assigned	-	8,270	4,361,022	7,698,628
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		471,420	8,270	6,240,926	8,315,191

The accompanying notes are an integral part of this statement.

City of Chehalis
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		406 STORM & SURFACE WATER UTILITY	407 AIRPORT FUND
Beginning Cash and Investments			
308	Beginning Cash and Investments	1,516,682	1,543,750
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	804,441
340	Charges for Goods and Services	729,704	2,045,491
350	Fines and Penalties	9,707	-
360	Miscellaneous Revenues	24,557	34,283
Total Revenues:		763,968	2,884,215
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	470,463	-
540	Transportation	-	1,354,573
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		470,463	1,354,573
Excess (Deficiency) Revenues over Expenditures:		293,505	1,529,642
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	147,163
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	147,163
Other Decreases in Fund Resources			
594-595	Capital Expenditures	44,343	824,774
591-593, 599	Debt Service	1,052	27,321
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	54,135
Total Other Decreases in Fund Resources:		45,395	906,230
Increase (Decrease) in Cash and Investments:		248,110	770,575
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	143,320
50841	Committed	-	-
50851	Assigned	1,764,792	2,171,005
50891	Unassigned	-	-
Total Ending Cash and Investments		1,764,792	2,314,325

The accompanying notes are an integral part of this statement.

City of Chehalis
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	Pension/OPEB Trust Fund	Custodial
308	Beginning Cash and Investments	1,071,684	1,032,680	39,004
388 & 588	Net Adjustments	-	-	-
310-390	Additions	326,313	28,763	297,550
510-590	Deductions	340,166	3,721	336,445
	Net Increase (Decrease) in Cash and Investments:	(13,853)	25,042	(38,895)
508	Ending Cash and Investments	1,057,831	1,057,722	109

The accompanying notes are an integral part of this statement.

CITY OF CHEHALIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chehalis (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.
- 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 are presented using classifications that are similar to the ending balance classification 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.

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.

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.

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.

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

See Note 3, 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 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.

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

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.

Restrictions and commitments of ending cash and investments as of December 31, 2022, consist of the following:

Restricted Cash and Investments

Fund Name	Purpose	Authority	Balance 12/31/2022
General	JNET Drug Funds	RCW 69.50.505	\$ 161,075
General	Substance Abuse Investigation	Ord. No. 831B	29,591
General	Parks & Facilities Donations	Donor	680
General	Felony Confiscated/Forfeiture	RCW 10.105.010	167
General	Municipal Court Trust Account Bail Deposit		8,211
	Total General Fund		199,724
Street	Path and Trails	RCW 47.30	2,428
Arterial Street	Streets, Roads and Highways	RCW 4724.040	6,026
	Total Arterial Street Fund		8,454
TBD	Transportation Improvements	RCW 82.14.0455; 36.73	3,634,765
Tourism	Tourism Promotion	RCW 67.28.1815	214,610
CDBG	CDBG eligible activity	CDBG	25,798
HUD Grant	Housing & Urban Development related activity	HUD Grant	89,769
Federal Grant Control	American Rescue Plan Act (ARPA)/SLFRF	U.S. Treasury	1,920,670
Public Facilities Reserve	Recreation Park Project (Ballfields)	Donor	52,763
Park Improvement	Recreation Park Project	Donor	91,429
1st Quarter REET	CFP Capital Projects/Maintenance	RCW 82.46.010	333,846
2nd Quarter REET	CFP Capital Projects/Maintenance	RCW 82.46.035	471,420
Wastewater	Debt Service	Loan Agreement	1,879,904
Water	Customer Deposits		591,563
Water	Water Conservation Project	Donor	25,000
Airport	Lease Escrow Deposit	Lease Contract	143,320
Total Restricted			\$ 9,683,035

Committed Cash and Investments

Fund Name	Purpose	Authority	Balance 12/31/2022
General	Vehicle and Equipment Replacements	Ord. No. 1065-B	450,000
General	General Facilities Improvements	Ord. No. 1065-B	350,000
General	Compensated Absences	Ord. No. 1065-B	212,092
General	LEOFF 1 OPEB	Ord. No. 1065-B	150,554
General	Vehicle Replacement	Ord. No. 1065-B	492,969
General	Financial system upgrade	Ord. No. 1065-B	250,000
	Total General Fund		1,905,615
Public Facilities Reserve	Permanent Fire Station Preliminary Design	Ord. No. 1065-B	200,000
Public Facilities Reserve	Police Evidence Garage	Ord. No. 1065-B	80,000
Public Facilities Reserve	Temporary Fire Station Commitments	Ord. No. 1065-B	95,600
Public Facilities Reserve	General Facilities Improvements	Ord. No. 1065-B	173,565
Park Improvement	Westside Park Improvements	Ord. No. 1065-B	20,000
Park Improvement	Lintott/Alexander Park Improvements	Ord. No. 1065-B	20,000
	Total Pubic Facilities Reserve Fund		589,165
Total Committed			\$ 2,494,780

Assignment of ending cash and investments reported in the General Fund consists of the following:

General Fund (001) Assigned Cash and Investments

Fund Name	Purpose	Authority	Balance 12/31/2022
General Fund	Roads repairs & maintenance	Sub-fund (003)	\$ 469,690
General Fund	Building abatement costs	Sub-fund (004)	52,399
			\$ 522,089

NOTE 2 – 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	2022 Original Budget	2022 Final Budget	2022 Actual Expenditures and Other Decreases in Funds Resources	Variance
City Funds:					
001	General Fund	\$ 11,909,220	\$ 13,483,067	\$ 11,903,844	\$ 1,579,223
003	Dedicated Street	1,057,976	1,079,576	906,570	173,006
004	Building Abatement	-	-	-	-
102	Arterial Street	90,828	90,828	90,828	-
103	Transportation Benefit District	3,700,000	3,242,300	1,941,070	1,301,230
107	Tourism	257,986	257,986	249,350	8,636
110	Compensated Absences Reserve Fund	61,700	61,700	38,110	23,590
115	LEOFF 1 OPEB Reserve Fund	156,700	156,700	131,135	25,565
195	Community Dev. Block Grant Fund	1,000	1,000	-	1,000
197	HUD Block Grant Fund	2,000	2,000	-	2,000
199	Federal Grant Control	420,000	430,830	243,776	187,054
200	G.O. Bond	299,515	299,515	299,458	57
301	Public Facilities Reserve Fund	310,000	605,000	368,443	236,557
302	Automotive/Equipment Reserve Fund	-	-	-	-
303	Parks Improvement Fund	-	114,850	70,705	44,145
305	First Quarter REET	130,494	130,494	130,494	-
306	Second Quarter REET	73,257	73,257	73,257	-
402	Garbage	7,000	7,000	5,378	1,622
404	Wastewater	7,532,194	7,682,794	7,443,465	239,329
414	Wastewater Capital Fund	542,000	542,000	31,606	510,394
405	Water	9,200,709	9,600,409	9,483,375	117,034
415	Water Capital Fund	841,000	999,500	582,754	416,746
406	Storm and Surface Water	1,876,020	2,010,720	1,901,216	109,504
416	Storm and Surface Water Capital Fund	57,900	70,805	44,343	26,462
407	Airport	2,997,923	3,372,423	3,259,030	113,393
417	Airport Capital Fund	76,500	682,210	824,774	(142,564)
Total City Funds (C4)		41,601,922	44,996,964	40,022,981	4,973,983
Fiduciary Funds:					
611	Firemen's Pension Fund	13,300	13,300	3,721	9,579
Total Fiduciary Funds (C5)		13,300	13,300	3,721	9,579
Total All Funds		\$ 41,615,222	\$ 45,010,264	\$ 40,026,702	\$ 4,983,562

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	2022 Adopted Budget	2022 Final Budget	2022 Actual Expenditures and Other Decreases in Funds Resources	Variance
001	General Fund	\$ 11,909,220	\$ 13,483,067	\$ 11,903,844	\$ 1,579,223
Sub-funds:					
003	Dedicated Street	1,057,976	1,079,576	906,570	173,006
004	Building Abatement	-	-	-	-
110	Compensated Absences Reserve Fund	61,700	61,700	38,110	23,590
115	LEOFF 1 OPEB Reserve Fund	156,700	156,700	131,135	25,565
302	Automotive/Equipment	-	-	-	-
Total General Fund		13,185,596	14,781,043	12,979,659	1,801,384
Less: Interfund Transfers Eliminated		(991,800)	(1,477,800)	(1,509,756)	31,956
General Fund for Financial Statements		\$ 12,193,796	\$ 13,303,243	\$ 11,469,903	\$ 1,833,340

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

Fund	Fund Name	2022 Adopted Budget	2022 Final Budget	2022 Actual Expenditures and Other Decreases in Funds Resources	Variance
404	Waste Water Fund	\$ 7,532,194	\$ 7,682,794	\$ 7,443,465	239,329
Sub-funds:					
414	Waste Water Capital Fund	542,000	542,000	313,606	228,394
Total Waste Water Fund		8,074,194	8,224,794	7,757,071	467,723
Less: Interfund Transfers Eliminated		(2,000,000)	(2,146,300)	(2,146,300)	-
Waste Water Fund for Financial Statements		\$ 6,074,194	\$ 6,078,494	\$ 5,610,771	\$ 467,723

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

Fund	Fund Name	2022 Adopted Budget	2022 Final Budget	2022 Actual Expenditures and Other Decreases in Funds Resources	Variance
405	Water Fund	\$ 9,200,709	\$ 9,600,409	\$ 9,483,375	117,034
Sub-funds:					
415	Water Capital Fund	841,000	999,500	582,754	416,746
Total Water Fund		10,041,709	10,599,909	10,066,129	533,780
Less: Interfund Transfers Eliminated		(6,400,000)	(6,751,600)	(6,751,600)	-
Water Fund for Financial Statements		\$ 3,641,709	\$ 3,848,309	\$ 3,314,529	\$ 533,780

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

Fund	Fund Name	2022 Adopted Budget	2022 Final Budget	2022 Actual Expenditures and Other Decreases in Funds Resources	Variance
406	Storm and Surface Water Fund	\$ 1,876,020	\$ 2,010,720	\$ 1,901,216	109,504
Sub-funds:					
416	Storm and Surface Water Capital Fund	57,900	70,805	44,343	26,462
Total General Fund		1,933,920	2,081,525	1,945,559	135,966
Less: Interfund Transfers Eliminated		(1,295,000)	(1,429,700)	(1,429,700)	-
Storm and Surface Water Fund for Financial St		\$ 638,920	\$ 651,825	\$ 515,859	\$ 135,966

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

Fund	Fund Name	2022 Adopted Budget	2022 Final Budget	2022 Actual Expenditures and Other Decreases in Funds Resources	Variance
407	Airport Fund	\$ 2,997,923	\$ 3,372,423	\$ 3,259,030	113,393
Sub-funds:					
417	Airport Capital Fund	76,500	682,210	824,774	(142,564)
Total Airport Fund		3,074,423	4,054,633	4,083,804	(29,171)
Less: Interfund Transfers Eliminated		(1,534,000)	(1,823,000)	(1,823,000)	-
Airport Fund for Financial Statements		\$ 1,540,423	\$ 2,231,633	\$ 2,260,804	\$ (29,171)

NOTE 3 – DEPOSITS 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.

Investments are reported at original costs. Deposits and investments by type as of December 31, 2022, 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	\$	3,214,426	\$	9,300	\$ 3,223,726
Local Government Investment Pool		22,029,333		1,048,531	23,077,864
US Government Agency Securities		6,046,501		-	6,046,501
Total	\$	31,290,260	\$	1,057,831	\$ 32,348,091

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.

NOTE 4 – 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 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 2022 was \$1.778838039476 per \$1,000 on an assessed valuation of \$944,839,689 for a total regular levy of \$1,680,716.78.

The City also has a levy for Emergency Medical Services (EMS). The City's EMS rate for the year 2022 was \$0.491078587618 per \$1,000 on an assessed valuation of \$944,839,689 for a total EMS levy of \$463,990.54.

NOTE 5 – INTERFUND LOANS

The following table provides interfund loan activities during 2022:

Borrowing Fund	Lending Fund	Balance			Balance	
		1/1/2022	New Loans	Payments	12/31/2022	
Airport Fund	Water Fund	\$ 54,135	\$ -	\$ 54,135	\$ -	
Totals		\$ 54,135	\$ -	\$ 54,135	\$ -	

The interfund loan between Water and Airport funds was made in 2018 to pay off a higher-interest bank loan and to shorten the repayment periods. In September 2018, the City's Ordinance No. 990-B authorized the interfund loan with interest rate at 2% per annum and to adjust to match the state investment pool rate if the rate rises above 2%. The Ordinance also adopted a definitive repayment schedule for the loan over a period of four years (48 monthly payments) and full repayment of the loan balance no later than September 30, 2022. The interest payment in 2022 was \$461.

NOTE 6 – LONG-TERM DEBT

The accompanying Schedule of Liabilities (Schedule 09) provides more details of the outstanding debt and liabilities of the City of Chehalis and summarizes the City's debt and liabilities transactions for the year ended December 31, 2022.

Bonds & Loans

The City's total debt service requirements for outstanding general obligation bonds and revenue bonds and other debt (which includes 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
2023	\$ 391,860	\$ 89,666	\$ 481,526	\$ 2,016,434	\$ 29,993	\$ 2,046,427	\$ 2,408,294	\$ 119,659	\$ 2,527,953
2024	401,838	68,891	470,729	1,916,604	24,697	1,941,301	2,318,442	93,588	2,412,030
2025	381,244	60,368	441,612	1,834,376	21,458	1,855,834	2,215,620	81,826	2,297,446
2026	395,645	51,678	447,323	1,834,807	18,831	1,853,638	2,230,452	70,509	2,300,961
2027	233,076	42,507	275,583	1,019,937	16,192	1,036,129	1,253,013	58,699	1,311,712
2028-2032	1,095,491	148,822	1,244,313	442,698	53,884	496,582	1,538,189	202,706	1,740,895
2033-2037	717,809	49,221	767,030	392,330	18,532	410,862	1,110,139	67,753	1,177,892
2038-2042	219,501	13,344	232,845	-	-	-	219,501	13,344	232,845
TOTALS	\$ 3,836,464	\$ 524,497	\$ 4,360,961	\$ 9,457,186	\$ 183,587	\$ 9,640,773	\$ 13,293,650	\$ 708,084	\$ 14,001,734

NOTE 7 – 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 2022, the City paid \$131,135 in total benefits including \$85,605 in insurance premiums and \$45,530 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 2022 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, 2022, the City's LEOFF 1 OPEB plan had thirteen (13) 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, 2022, is \$5,600,096, which is included in Schedule 09.

NOTE 8 – 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.

On June 30, 2021 (the measurement date of the plans) the City's proportionate share of the collective net pension liabilities (assets), as reported on Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$ 152,878	0.024945%	\$ 694,560
PERS 2 & 3	\$ 261,774	0.032584%	\$ (1,208,469)
LEOFF 1	\$ -	0.025227%	\$ (723,665)
LEOFF 2	\$ 132,354	0.063930%	\$ (1,737,424)

Only the net pension liabilities are reported on Schedule 09.

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.

B. Local Government Pension Plan

The City is the administrator of the Firemen's Pension Plan, which is a closed, single-employer, defined benefit pension plan that was established in conformance with the Revised Code of Washington (RCW) Chapters 14.16, 14.18 and 41.20. City of Chehalis Resolution No. 2-2001 created a firemen's pension board to recommend the uses of the firemen's pension fund. The plan is limited to full-time and fully compensated firefighters who were hired prior to the establishment of the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) on March 1, 1970. The plan provides supplemental pension benefits as outlined below.

Through the LEOFF Act, the State undertook to provide the bulk of police and fire pensions; however, the municipalities continue to be responsible for all or part of pension benefits for employees hired before March

1, 1970. Firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City.

Pre-LEOFF supplemental pension payments are based upon formulas using the City's current compensation levels attached to the employee's rank at retirement. In the event the pension paid by the State falls short of what the retiree should receive based upon the formula, the City pays the difference. Should the retiree receive more from the State than would result from the application of the formula, no adjustments or paybacks are required.

Under State law, the Firemen's Pension Plan is funded from an allocation of the State of Washington fire insurance premium taxes, regular property tax levies at \$0.225 per \$1,000 assessed valuation, interest earnings, and City contributions required to meet projected future pension obligations.

The most recent actuarial review of the plan was done in October 2019 by Milliman, Inc. to determine the funding requirements as of January 1, 2019. As of that date, the actuarial present value of future benefits to be provided by the City was \$152,453. The actuarial valuation determined that no additional contributions from the property tax levy are required.

As of December 31, 2022, membership consisted of two (2) pre-LEOFF firefighter retirees.

In 2022, the Firemen's Pension Trust Fund received a total of \$28,763 contributions including fire insurance premium tax of \$13,871 and investment interest of \$14,892.

The Firemen's Pension Plan is shown as a pension trust fund in the financial statement of the City. The total cash and investment balance in the Firemen's Pension Fund available to pay pension benefits as of December 31, 2022, is \$1,057,722.

NOTE 9 – 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 2022, the City paid \$15,233.11 in unemployment benefit claims to the State for unemployment taxes.

NOTE 10 - HEALTH & WELFARE

The City of Chehalis 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, 2021, 262 cities/towns/non-city entities participate and have enrolled 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 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 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 HCP. Similarly, the terminating member forfeits all rights and interest to the 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 11 - RISK MANAGEMENT

The City of Chehalis 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 166 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 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 \$750,000, 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.

NOTE 12 – LEASES

During the year ended December 31, 2022, the City adopted guidance for the presentation and disclosure of leases, as required by the Washington State Auditors Office *Budget, Accounting, and Reporting System* (BARS) Manual. The requirement resulted in the addition of a lease liability reported on Schedule 09.

The City leases 6 copiers from various vendors for \$1,875 a month under multiple 5-year lease agreements that cannot be cancelled.

The City leases 2 mailing systems from Pitney Bowes, Inc. for \$147.23 per month 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 2022 was \$21,989.71. As of December 31, 2022, the future lease payments are as follows:

Year ended December 31	Governmental Fund	Proprietary Fund	Total Lease Payments
2023	\$ 17,071	\$ 7,617	\$ 24,688
2024	15,110	4,809	19,919
2025	12,571	878	13,449
2026	12,571	878	13,449
2027	9,966	659	10,625
Total	\$ 67,289	\$ 14,841	\$ 82,130

NOTE 13 –JOINT VENTURES

A. 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 14 - OTHER DISCLOSURES

A. Construction Commitments

The City has active construction projects in progress as of December 31, 2022. The City's projects and commitments with contractors are as follows:

Project Name	Contractor	Paid to Date 12/31/2022	Remaining Commitment	Funding Source
Above Ground Fuel Storage	Quigg Bros, Inc	717,993	34,786	Airport Fund
Above Ground Fuel Storage	Mascott Equipment Co	425,554	22,475	Airport Fund
NW Pacific Ave Reconstruction	Rognlin's Inc	1,608,354	10,486	TBD/Water/Storm Funds
Chehalis Ave Reconstruction	Midway Underground LLC	1,517,090	722,978	TBD/Water/Storm Funds
Chehalis Ave Reconstruction	Gibbs & Olson, Inc	409,933	37,667	TBD/Water/Storm Funds
Main Street Improvements Phase 2	Gibbs & Olson, Inc	31,556	43,594	TIB
13th St Water Main Emergency Repair	Iversen and Sons Inc	-	61,377	Water Fund
Temporary Fire Station Steel Bldg	KBH Construction	348,624	16,891	General Fund
Total		\$ 5,059,104	\$ 950,254	

B. Environmental and 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 Underground Fuel Storage Tanks
- Decommissioning of the Wastewater Treatment Facility

During 2022, the City replaced its two (2) underground fuel tanks at its Airport site with above ground fuel storage tanks. The above-ground fuel storage project started in 2021 and was completed in 2022. Under state law, the City was required to decommission the underground fuel tanks. The estimated costs included in the construction contract bid award for the above-ground fuel storage project associated with the decommissioning was \$60,000, which was reported on the Schedule 09 in 2021. The decommissioning of the underground fuel tanks was completed in 2022 and approved by the Department of Ecology. The total cost for the decommissioning work and disposal of contaminated soil was \$167,978.

The City's Regional Wastewater Treatment Facility is expected to be operated and maintained into perpetuity. There are no decommissioning requirements in the NPDES permit for this facility because everything is above ground and in containment. At the end of the WWTP service life, the City will take soil samples to determine how much topsoil will need to be removed, if it is deemed to be contaminated. This is unlikely at this facility because our biosolids are lime pasteurized class A biosolids. As the City cannot estimate the timing or extent of the obligation associated with this asset, a reasonable estimate of the obligation cannot be made. As such, ARO liabilities have not been recorded for retirement activities associated with this asset. An ARO will be recorded if future events warrant any changes.

City of Chehalis
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2011 LTGO Bond	12/1/2026	450,000	-	80,000	370,000
251.11	2019 LTGO Bond	8/1/2034	797,000	-	53,000	744,000
251.11	2020 LTGO Bond	10/1/2035	1,622,000	-	104,000	1,518,000
263.83	DWSRFL #5 (DOH)	10/1/2026	315,033	-	63,006	252,027
263.83	Washington State CARB Loan	10/1/2042	602,837	147,163	-	750,000
263.85	Distressed Counties Loan	12/1/2035	149,207	-	22,514	126,693
263.91	Fire Truck Loan	8/25/2022	67,265	-	67,265	-
263.91	Chip Spreader Loan	10/24/2024	115,058	-	39,314	75,744
263.51	Lease Purchases - Governmental		14,722	-	14,722	-
263.56	Leases - Governmental		16,157	63,605	13,874	65,888
Total General Obligation Debt/Liabilities:			4,149,279	210,768	457,695	3,902,352
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences- Governmental		927,077	867,348	819,542	974,883
259.12	Compensated Absences-Proprietary		256,035	248,940	312,643	192,332
263.52	Lease Purchases - Proprietary		3,079	-	3,079	-
263.57	Leases - Proprietary		18,186	4,392	6,336	16,242
263.84	SRFL #1 (DOE)	5/1/2024	407,117	-	161,018	246,099
263.84	SRFL #2 (DOE)	12/30/2023	38,590	-	19,150	19,440
263.84	SRFL #3A (DOE)	6/30/2027	8,968,427	-	1,630,626	7,337,801
263.84	SRFL 33B (DOE)	9/30/2028	276,818	-	39,546	237,272
263.84	SRFL I&I Loan	12/31/2036	294,747	-	16,426	278,321
263.84	DWSRF Loan (DOH)	10/1/2027	515,100	-	85,850	429,250
263.84	DWSRF Loan (DOH)	10/1/2037	969,600	-	60,600	909,000
263.93	Asset Retirement Obligation		60,000	-	60,000	-
264.30	Net Pension Liability		314,602	379,958	-	694,560
264.40	LEOFF1 OPEB Liability		6,828,259	-	1,228,163	5,600,096
Total Revenue and Other (non G.O.) Debt/Liabilities:			19,877,637	1,500,638	4,442,979	16,935,296
Total Liabilities:			24,026,916	1,711,406	4,900,674	20,837,648

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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