



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements and Federal Single Audit Report**

### **City of Wenatchee**

**Chelan County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 29, 2014**

**Report No. 1012734**





**Washington State Auditor**  
**Troy Kelley**

September 29, 2014

Mayor and City Council  
City of Wenatchee  
Wenatchee, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Wenatchee's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR

## TABLE OF CONTENTS

Federal Summary .....	4
Status Of Prior Audit Findings .....	6
Independent Auditor's 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 .....	7
Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	9
Independent Auditor's Report On Financial Statements .....	12
Financial Section.....	15
About The State Auditor's Office.....	79

# Federal Summary

**City of Wenatchee  
Chelan County  
January 1, 2013 through December 31, 2013**

The results of our audit of the City of Wenatchee are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

## ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information.

### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

## ***FEDERAL AWARDS***

### ***Internal Control Over Major Programs:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

# Status of Prior Audit Findings

## City of Wenatchee Chelan County January 1, 2013 through December 31, 2013

The status of findings contained in the prior years' audit reports of the City of Wenatchee is provided below:

### **1. The Greater Wenatchee Regional Events Center Public Facility District, a component unit of the City, invested public funds in ineligible investments.**

Report No. 1010591, dated September 30, 2013

#### **Background**

The Greater Wenatchee Regional Event Center Public Facility District (District) was formed through an interlocal agreement in June 2006 to oversee the construction and operation of an event center facility. The District is included in the City of Wenatchee's financial statements as a discretely presented component unit because of the financial commitment of the 0.2 percent additional sales and use tax the City imposed in 2012 to assist the District to refinance its outstanding debt.

#### **Description of Condition**

The District issued Limited Sales Tax Bonds Series A and B in the amount of \$48,235,000 on September 20, 2012. Approximately \$4 million of this bond issuance was deposited with the Escrow Agent as debt service reserve. As of December 31, 2012, the Escrow Agent invested the \$4 million debt service reserve and approximately \$470,000 from sales tax revenue, in a taxable money market fund that includes debt obligations of foreign banks and foreign corporations, which are not allowable investments for municipalities under state law.

All funds on deposit with the Escrow Agent as of December 31, 2012 have been accounted for.

#### **Status**

Prior to fiscal year end December 31, 2013, the District divested the ineligible investments identified in the prior audit. We confirmed that these funds were re-invested into an allowable investment account. We consider this issue resolved.

# **Independent Auditor's 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 Wenatchee  
Chelan County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Wenatchee  
Wenatchee, 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, Chelan County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 24, 2014. As discussed in Note 15 to the financial statements, during the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board *Statement No. 65, Items Previously Reported as Assets and Liabilities*.

## ***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) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated September 24, 2014.

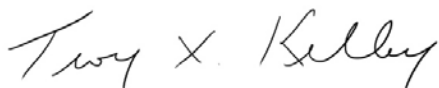
## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.



**TROY KELLEY**  
STATE AUDITOR

September 24, 2014



# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**City of Wenatchee  
Chelan County  
January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Wenatchee  
Wenatchee, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of the City of Wenatchee, Chelan County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

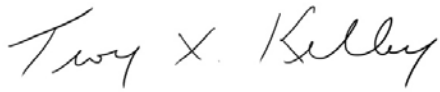
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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 "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 24, 2014

# **Independent Auditor's Report on Financial Statements**

## **City of Wenatchee Chelan County January 1, 2013 through December 31, 2013**

Mayor and City Council  
City of Wenatchee  
Wenatchee, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, Chelan County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 15.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street and Arterial Street funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Matters of Emphasis***

As discussed in Note 15 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 25, pension trust fund information on page 75 and other postemployment benefits information and schedule of funding progress on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

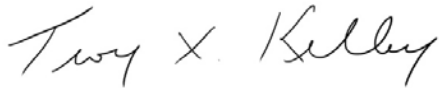
#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014 on our consideration of the City's internal control over financial reporting and on our 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 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.



**TROY KELLEY**  
STATE AUDITOR

September 24, 2014

## **Financial Section**

**City of Wenatchee  
Chelan County  
January 1, 2013 through December 31, 2013**

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2013

### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net  
Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of the Governmental Funds to the Statement of Activities – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
– General Fund – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
– Street Fund – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
– Arterial Street Fund – 2013

Statement of Net Position – Proprietary Funds – 2013

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2013

Statement of Cash Flows – Proprietary Funds – 2013

Statement of Net Position – Fiduciary Funds – 2013

Statement of Changes in Net Position – Fiduciary Funds – 2013

Notes to Financial Statements – 2013

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Firemen's Pension Fund Information – 2013

Other Post-Employment Benefits (OPEB) Information - 2013

## ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wenatchee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Wenatchee for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Wenatchee exceeded its liabilities and deferred outflow of resources at the close of the most recent fiscal year by \$134,870,526. Of this amount, \$21,797,803 may be used to meet the government's ongoing obligations to citizens and creditors within the guidelines of the funds.
- The government's total net position increased by \$3,914,298
- This increase is due in large part to the following:
  - Purchase of regional water rights \$2,507,342
  - South Wenatchee Ave Street and Utility Improvements \$1,356,208
  - Squilchuck lift station \$839,672
  - WWTP Odor Control and Visual \$1,123,455
  - Pine and McKittrick street improvements \$821,768
  - Additional loans with the Washington State Public Works Trust Fund in \$706,814
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$8,618,212. Approximately 89% of the total amount, or \$7,665,414, is available for spending at the government's discretion within the designated funding sources guidelines.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$2,765,157 or 13% of total general fund expenditures and other financing uses of \$20,841,503.
- The City's total combined bond and loan related long-term debt decreased by \$2,483,596 (6%) during the current fiscal year which was comprised of:
  - \$19,850 net increase to refinance \$2.63 million of the 2001 UTGO Bonds
  - \$19,850 net increase to refinance and combine the \$690,000, 98 LTGO and the \$2.4 million 2011 LTGO
  - \$3,641,123 in principal payments
  - \$706,814 for the final draw on the loans from Washington State Public Works Trust Fund.
  - \$400,000 for the Pybus Public Market easement

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Wenatchee's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic statements themselves.

#### Government-wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of City of Wenatchee finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, accounts receivable and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety

(including police and fire), transportation, culture and recreation and economic environment. The business-type activities of the City include water and sewer services, storm drain, solid waste services and a cemetery.

The government-wide financial statements can be found beginning on page 3-1.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wenatchee, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

During the fiscal year ended December 31, 2013, the City maintained 27 individual governmental funds. Information for the General Fund, Street Special Revenue Fund, and the Arterial Street Special Revenue Fund (each of which is considered to be a major fund) is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances, and data from the other 26 governmental funds are combined into a single, aggregated presentation (beginning on page 4-1 this report).

The City adopts an annual appropriated budget for its governmental funds in accordance with state law on a fund level. Budgetary comparison statements have been provided for the general fund, street special revenue fund and arterial street special revenue fund to demonstrate compliance with this budget and may be found beginning on page 4-4.

**Proprietary funds.** The City of Wenatchee maintains two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Sewer, Storm Drain, Regional Water, Solid Waste, Regional Decant Facility and Cemetery Funds.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal services funds to account for the maintenance and replacement of its fleet of vehicles, the maintenance of facilities, the administration of property and liability insurance and its management information systems. Because all of these services predominantly benefit government rather than business-type functions, they have been included with the governmental activities in the government-wide financial statements presented in Part 3 of this document.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water/Sewer, Storm Drain and Regional Water operations (each of which is a major fund), and aggregate all other nonmajor proprietary funds of the City with a separate column for both the enterprise and internal service funds (beginning on page 4-9).

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting principles used for fiduciary funds are much like that used for proprietary funds. The basic fiduciary fund financial statements can be found beginning on page 4-12.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 5-1 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Wenatchee's progress in funding its obligation to provide both pension benefits to certain retired firefighters as well as medical care and long-term care benefits to retired LEOFF 1 employees. This required supplementary information can be found in part 6 of this report, and also in footnote numbers 7 and 14, which are located in Part 5 of this document.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wenatchee, assets exceeded liabilities by \$134,870,526 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (\$107,542,036, or 80%) is comprised of its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

### City of Wenatchee's Net Position

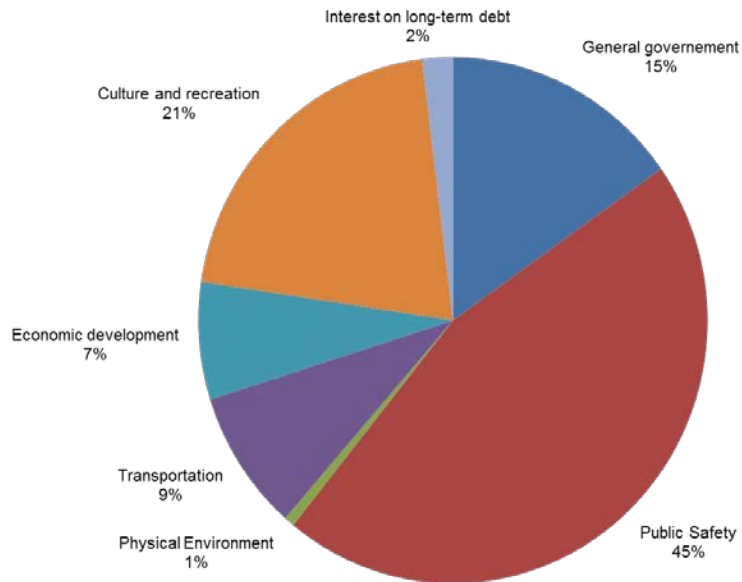
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 16,736,638	\$ 17,254,144	\$ 17,573,345	\$ 20,144,081	\$ 34,309,983	\$ 37,398,225
Capital assets	79,080,663	76,346,914	68,172,744	63,986,141	147,253,407	140,333,055
Total assets	95,817,301	93,601,058	85,746,089	84,130,222	181,563,390	177,731,280
<b>Liabilities</b>						
Long-term debt	11,546,528	13,163,604	28,164,843	29,032,463	39,711,371	42,196,067
Other liabilities	5,406,417	5,487,397	1,575,076	2,052,377	6,981,493	7,539,774
Total liabilities	16,952,945	18,651,001	29,739,919	31,084,840	46,692,864	49,735,841
<b>Net Assets</b>						
Invested in capital assets, net of related debt	67,534,135	63,183,310	40,007,901	34,953,678	107,542,036	98,136,988
Restricted	470,221	451,849	5,060,466	7,435,952	5,530,687	7,887,801
Unrestricted	10,860,000	11,314,898	10,937,803	10,655,752	21,797,803	21,970,650
Total net assets	\$ 78,864,356	\$ 74,950,057	\$ 56,006,170	\$ 53,045,382	\$ 134,870,526	\$ 127,995,439

### City of Wenatchee's Changes in Net Position

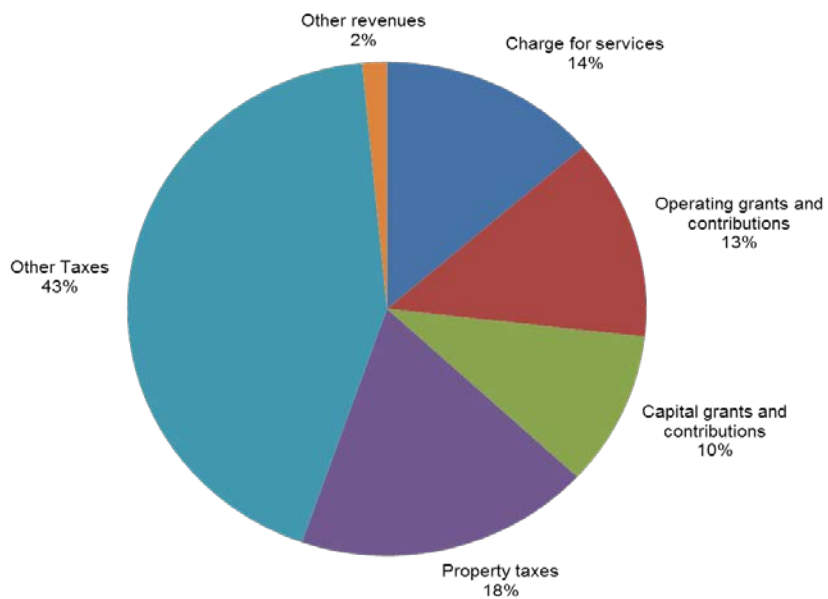
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charge for services	\$ 4,547,353	\$ 4,640,256	\$ 14,153,811	\$ 13,803,757	\$ 18,701,164	\$ 18,444,013
Operating grants and contributions	4,386,414	5,524,705	0	0	4,386,414	5,524,705
Capital grants and contributions	3,365,304	2,993,414	183,281	402,466	3,548,585	3,395,880
General revenues:						
Property taxes	6,138,524	6,064,446	0	0	6,138,524	6,064,446
Other Taxes	14,381,351	12,999,756	0	0	14,381,351	12,999,756
Other revenues	510,768	764,629	57,874	81,370	568,642	845,999
Total revenues	<u>33,329,714</u>	<u>32,987,206</u>	<u>14,394,966</u>	<u>14,287,593</u>	<u>47,724,680</u>	<u>47,274,799</u>
Expenses:						
General government	4,507,543	4,683,793	0	0	4,507,543	4,683,793
Public Safety	13,494,448	14,046,926	0	0	13,494,448	14,046,926
Physical Environment	191,235	885,532	0	0	191,235	885,532
Transportation	2,571,085	2,256,359	0	0	2,571,085	2,256,359
Economic development	2,136,149	3,559,928	0	0	2,136,149	3,559,928
Culture and recreation	6,132,475	5,403,354	0	0	6,132,475	5,403,354
Interest on long-term debt	573,916	637,821	0	0	573,916	637,821
Water/Sewer	0	0	7,250,062	7,607,844	7,250,062	7,607,844
Storm Drain	0	0	863,399	908,805	863,399	908,805
Regional Water	0	0	739,768	733,138	739,768	733,138
Regional Decan Facility	0	0	674	0	674	0
Solid Waste	0	0	1,962,562	1,983,409	1,962,562	1,983,409
Cemetery	0	0	279,498	275,011	279,498	275,011
Total expenses	<u>29,606,851</u>	<u>31,473,713</u>	<u>11,095,963</u>	<u>11,508,207</u>	<u>40,702,814</u>	<u>42,981,920</u>
Increase in net assets before transfers	3,722,863	1,513,493	3,299,003	2,779,386	7,021,866	4,292,879
Transfers	<u>222,814</u>	<u>306,559</u>	<u>(222,814)</u>	<u>(306,559)</u>	<u>0</u>	<u>0</u>
Increase in net assets	3,945,677	1,820,052	3,076,189	2,472,827	7,021,866	4,292,879
Accounting Change	(31,379)	0	(115,403)	0	(146,782)	0
Net assets January 1,	<u>74,950,057</u>	<u>73,130,005</u>	<u>53,045,384</u>	<u>50,572,557</u>	<u>127,995,441</u>	<u>123,702,562</u>
Net assets December 31,	<u>\$ 78,864,355</u>	<u>\$ 74,950,057</u>	<u>\$ 56,006,170</u>	<u>\$ 53,045,384</u>	<u>\$ 134,870,525</u>	<u>\$ 127,995,441</u>

**Governmental Activities.** Governmental activities increased the City of Wenatchee's net position by \$3,914,298, thereby increasing the City's net position by 31%.

**Expenses – Governmental Activities**

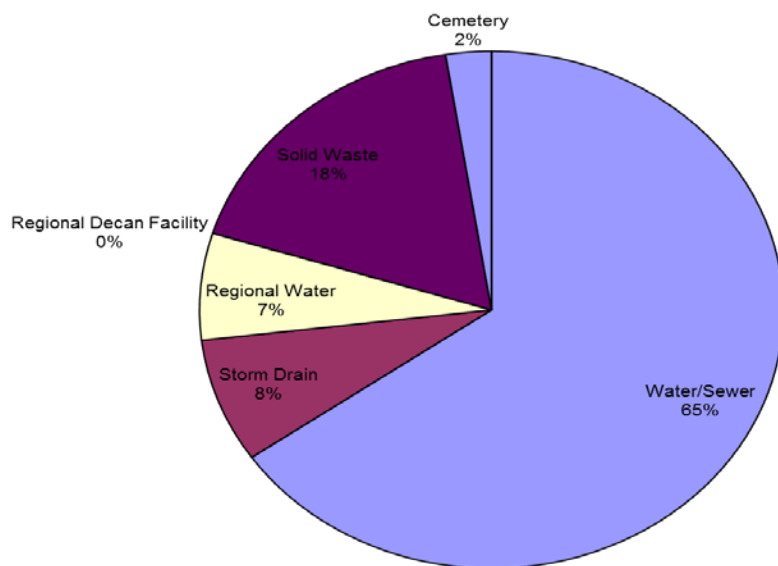


**Revenues by Source – Governmental Activities**

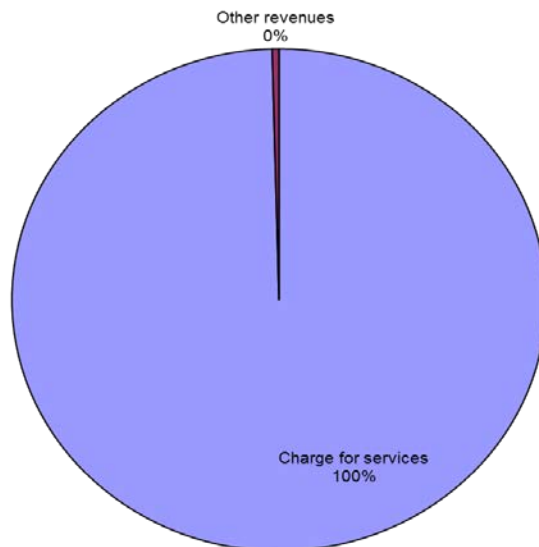


**Business-type Activities.** Business-type activities increased City of Wenatchee's net position by \$2,472,827, accounting for 57% of total growth in the government's net position.

**Expenses and Program Revenues – Business-type Activities**



**Revenues by Source – Business-type Activities**



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Wenatchee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The General Fund, Street Fund and Arterial Street Fund made up the City's major funds during the most recent fiscal year. Together these three funds account for \$6,533,631 (or 51%) of total governmental fund assets of \$12,827,890 and \$4,912,706 (or 57%) of the total governmental fund's fund balance of \$8,618,212. Approximately 32% or \$2,765,157 of the total fund balance is unassigned in the General Fund.

The focus of City of Wenatchee's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,618,212. Of this figure, \$7,665,414 (or 89%) constitutes unassigned fund balance that is available for spending within the designated funds. The remaining fund balance of \$952,798 is reserved to indicate that it is not available for new spending because it has already been committed for other purposes.

The general fund is the chief operating fund of the City of Wenatchee. At the end of the current fiscal year, the total fund balance of the General Fund was \$4,072,503, the unassigned fund balance is \$2,765,157 and \$1,070,838 is assigned to Pre-LEOFF and LEOFF 1 mandated health costs. As a measure of the general fund's liquidity, it may be useful to compare both the total fund balance and unassigned fund balance to the total of fund expenditures and other financing uses. As of December 31, 2013, the total fund balance represented 19% of total general fund expenditures and the unassigned fund balance represented 13% of total general fund expenditures. A recent history of reserve percentages is as follows:

Year	Total Fund Balance	Unreserved Fund Balance	Expenditures and other Financing Uses	Fund Balance as a % of Expenditures	
				Total	Unreserved
2013	4,072,503	2,765,157	20,841,503	19.54%	13.27%
2012	3,661,729	2,360,823	22,050,396	16.61%	10.71%
2011	3,246,393	2,088,076	24,291,981	13.36%	8.60%
2010	3,180,608	3,137,779	22,601,753	14.07%	13.88%
2009	3,424,573	3,381,044	22,217,904	15.41%	15.22%

The fund balance of City's amended General Fund budget was anticipated to decrease by \$166,250 in 2013 but actually increased by \$397,732, a \$563,982 change from the budget.

The Street Fund budget was adopted and amended with the expectation that the fund balance would decrease by \$124,040 at the end of 2013 but the actual decrease was \$37,523, an \$86,517 change from the budget.

The Arterial Street Fund budget was adopted and amended with the expectation that the fund balance would decrease by \$135,621 in 2013, but the actual decrease was \$60,129, a \$75,492 change from the budget.

**Proprietary funds.** The Water/Sewer Utility Fund, Storm Drain Utility Fund and the Regional Water Fund made up the City's major business-type funds during the most recent fiscal year. Together these three funds accounted for \$84,467,719 (98%) of total enterprise fund assets of \$85,785,296. These funds also accounted for \$54,791,837 (98%) of total enterprise fund net position of \$56,006,170. The City of Wenatchee's proprietary funds reported on pages 4-9 through 4-11 of this report provide the same type of information found in the government-wide financial statements in Part 3, but in more detail.



Unrestricted net position of the Water/Sewer Utility Fund at the end 2013 was \$7,808,310 as compared to \$6,073,695 at end of 2012 for a total increase of \$1,734,615.

Unrestricted net position of the Storm Drain Utility at the end of 2013 was \$1,487,972 as compared to \$1,244,877 at the end of 2012 for a total increase of \$243,095.

Unrestricted net position of the Regional Water Fund at the end of 2013 was \$1,314,417 as compared to \$3,090,704 at the end of 2012 for a total decrease of \$1,776,287. This decrease is a result of a \$2.5 million water rights purchase finalized in 2013.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### Appropriations (Expenses)

Through the course of the year General Fund appropriations were amended up from \$19,682,073 to \$20,247,654 for a total increase of \$458,581. The increase was due in part to refunding utility taxes collected in prior years of \$195,700.

### Revenue Estimates

General Fund revenues were amended up from \$20,583,243 to \$21,033,420 for a total increase of \$450,177. The amendment was comprised, in part, of the following changes:

- A \$181,000 increase due to an insurance payment.
- A \$170,000 increase in permitting revenues that is the result of a major construction project.
- A \$115,500 decrease in fines and forfeitures as a result of decreased activity.
- A \$132,000 increase in sales and business taxes due to one-time activities.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** City of Wenatchee's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$147,253,407 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and streets. Major capital asset events during the current fiscal year included the following:

- Purchase of regional water rights \$2,507,342
- South Wenatchee Ave Street and Utility Improvements \$1,356,208
- Squilchuck lift station \$839,672
- WWTP Odor Control and Visual \$1,123,455
- Pine and McKittrick street improvements \$821,768

### City of Wenatchee's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 11,106,989	10,146,077	\$ 2,528,206	2,519,025	\$ 13,635,195	12,665,102
Intangible Assets	0	0	2,700,382	0	2,700,382	0
Buildings and system	21,990,335	22,646,427	49,092,017	50,428,452	71,082,352	73,074,879
Improvements other than buildings	2,005,118	2,129,104	12,153	12,938	2,017,271	2,142,042
Machinery and equipment	2,682,985	2,823,841	962,135	1,211,731	3,645,120	4,035,572
Infrastructure	40,350,790	38,406,432	0	0	40,350,790	38,406,432
Construction in progress	944,446	195,033	12,877,851	9,813,995	13,822,297	10,009,028
Total	<u>\$ 79,080,663</u>	<u>\$ 76,346,914</u>	<u>\$ 68,172,744</u>	<u>\$ 63,986,141</u>	<u>\$ 147,253,407</u>	<u>\$ 140,333,055</u>

Additional information on the City's capital assets can be found in Footnote #6 located in Part 5 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City of Wenatchee had bond and loan related long-term debt of \$39,711,371. Of this amount, \$9,837,643 is comprised of general obligation bonds issued by the City that are backed by the full faith and credit of the government, \$1,351,399 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, \$20,455,000 represents revenue bonds secured solely by utility revenue sources, \$5,176,327 represents a Washington Department of Ecology State Revolving Fund (SRF) Loan that was



used to renovate our wastewater treatment plant and \$2,533,517 Public Works Trust Fund (PWTF) Loan to provide funded for miscellaneous sewer improvements, 262,842 to purchase an easement at the Pybus Public Market and \$94,744 loan to Chelan County PUD for waterfront access improvements. The SRF and PWTF loan will be repaid solely by utility revenue sources. The Chelan County PUD loan and the easement will be repaid from Local Revitalization Funds generated on the Waterfront. The City also has guaranteed debt issued by Chelan County for the bi-county emergency dispatch center RiverCom. The City has never paid on this guarantee.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	9,838,643	10,780,000	0	0	9,838,643	10,780,000
Loan Guaranty	360,000	392,500	0	0	360,000	392,500
Special assessment debt	1,351,399	2,298,874	0	0	1,351,399	2,298,874
Revenue bonds	0	0	20,455,000	21,570,000	20,455,000	21,570,000
Loans	357,586	84,731	7,709,844	7,462,463	8,067,430	7,547,194
Total	<u>11,907,628</u>	<u>13,556,105</u>	<u>28,164,844</u>	<u>29,032,463</u>	<u>40,072,472</u>	<u>42,588,568</u>

The City's bond related total long-term debt decreased by \$2,057,357 (6%) during the current fiscal year. The decrease is the result of the \$2,097,057 in principal payments and \$39,700 in additional debt incurred when the 1998 and 2011 LTGO bonds and the 2001 UTGO bonds were refinanced.

The bond ratings held by the City of Wenatchee on its various issues are as follows:

Bond Type	Moody's	Standard & Poor's
Revenue	Baa1	AA
Unlimited Tax General Obligation (UTGO)	Ba1	BBB
Limited Tax General Obligation (LTGO)	B1	BBB

Additional information on the City's long-term debt can be found in Footnote #10.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Wenatchee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, PO Box 519, Wenatchee, WA 98807-0519.

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF NET POSITION**  
**December 31, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business Activities	Total	Public Facilities District
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,971,811	\$ 9,840,735	\$ 19,812,546	\$ 500,741
Receivables (net)	6,387,242	1,848,574	8,235,816	1,012,142
Investments	200,360	399,689	600,049	0
Inventories	37,972	423,881	461,853	0
Internal Balances	30,000	(30,000)	0	0
Prepaid Expenses	0	30,000	30,000	48,896
Restricted assets				
Cash	109,253	5,060,466	5,169,719	5,440,213
Capital assets				
Land / Intangible Assets	11,106,989	5,228,588	16,335,577	1,748,169
Buildings and system (net)	21,990,335	49,092,017	71,082,352	38,899,811
Other improvements (net)	2,005,118	12,153	2,017,271	0
Machinery and equipment (net)	2,682,985	962,135	3,645,120	107,784
Infrastructure (net)	40,350,790	0	40,350,790	0
Construction in progress	944,446	12,877,851	13,822,297	0
Total assets	95,817,301	85,746,089	181,563,390	47,757,756
<b>LIABILITIES</b>				
Current payables	1,332,701	501,783	1,834,484	238,112
Claims and judgements payable	100,000	0	100,000	0
Custodial	30,706	78,995	109,701	253,133
Unearned Revenue	10,075	0	10,075	0
Accrued interest payable	0	107,711	107,711	807,304
Noncurrent liabilities				
Due within one year	1,270,318	1,140,000	2,410,318	941,010
Due in more than one year	10,181,466	19,315,000	29,496,466	52,392,259
Due to other gov't current	41,087	501,868	542,955	0
Due to other gov't long term	53,657	7,207,975	7,261,632	0
Net pension obligation	342,033	0	342,033	0
Net OPEB obligation	1,893,175	0	1,893,175	0
Unamortized debt premium	0	632,356	632,356	(786,916)
Compensated absences non-current	1,697,727	254,231	1,951,958	9,240
Total liabilities	16,952,945	29,739,919	46,692,864	53,854,142
<b>FUND BALANCE/NET POSITION</b>				
Invested in capital assets, net of related debt	67,534,135	40,007,901	107,542,036	(6,992,743)
Restricted				
Capital Projects	385,767	2,701,311	3,087,078	0
Debt Service	84,454	2,359,155	2,443,609	5,440,213
Unrestricted	10,860,000	10,937,803	21,797,803	(4,543,856)
Total net position	\$ 78,864,356	\$ 56,006,170	\$ 134,870,526	\$ (6,096,386)

[illegible]

	GENERAL	STREET	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,412,846	\$ 410,630	\$ 0	\$ 2,557,816	\$ 5,381,292
Investments	0	0	0	200,360	200,360
Receivables:					
Taxes	132,757	31,100	0	10,677	174,534
Accounts	512,854	239	0	2,010,715	2,523,808
Due from Other Funds	418,140	0	0	0	418,140
Intergovernmental	1,586,760	104,058	857,342	1,138,970	3,687,130
Restricted Assets:					
Cash	66,905	0	0	0	66,905
Inventory	0	0	0	19,426	19,426
Interfund Loans Receivable	0	0	0	356,295	356,295
Total assets	<u>\$ 5,130,262</u>	<u>\$ 546,027</u>	<u>\$ 857,342</u>	<u>\$ 6,294,259</u>	<u>\$ 12,827,890</u>
<b>LIABILITIES</b>					
Accounts Payable	397,339	62,694	48,875	601,222	1,110,130
Wages Payable	15,549	0	0		15,549
Due To Other Funds	0	0	324,067	64,073	388,140
Deposits Payable	30,206	0	0	500	30,706
Retainage Payable	0	489	68,554	23,767	92,810
Interfund Loans Payable	419,021	0	0	44,453	463,474
Total Liabilities	<u>862,115</u>	<u>63,183</u>	<u>441,496</u>	<u>734,015</u>	<u>2,100,809</u>
<b>DEFERRED INFLOWS of RESOURCES</b>					
Grants Received in advance	10,075	0	0	0	10,075
Unavailable revenues:					
Special Assessments	0	0	0	1,241,819	1,241,819
Property Taxes	121,032	28,408	0	9,739	159,179
Grant Reimbursements	0	0	30,079	11,993	42,072
Misc. Billings	64,537	0	0	591,187	655,724
Total Deferred Inflows of Resources	<u>195,644</u>	<u>28,408</u>	<u>30,079</u>	<u>1,854,738</u>	<u>2,108,869</u>
<b>FUND BALANCE</b>					
Nonspendable	0	0	0	952,798	952,798
Restricted	66,905	0	385,767	2,642,442	3,095,114
Committed	0	0	0	132,931	132,931
Assigned	1,240,441	454,436	0	4,759	1,699,636
Unassigned	2,765,157	0	0	(27,424)	2,737,733
Total Fund Balances	<u>4,072,503</u>	<u>454,436</u>	<u>385,767</u>	<u>3,705,506</u>	<u>8,618,212</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,130,262</u>	<u>\$ 546,027</u>	<u>\$ 857,342</u>	<u>\$ 6,294,259</u>	<u>\$ 12,827,890</u>

Total Fund Balance Governmental Funds	\$ 8,618,212
The amounts for the governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	76,102,546
Long term liabilities such as bonded debt is not reported in the governmental funds.	(13,110,492)
Net OPEB Obligation	(2,235,208)
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,098,794
The Internal Service Funds' assets and liabilities are reported in the governmental funds.	7,390,504
Net position of governmental activities	<u>\$ 78,864,356</u>

	GENERAL	STREET	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 16,778,871	\$ 1,105,309	\$ 0	\$ 4,541,728	\$ 22,425,908
Licenses and Permits	796,332	0	0	0	796,332
Intergovernmental	748,527	423,592	2,497,506	988,324	4,657,949
Charges for services	1,370,936	320,170	0	2,013,959	3,705,065
Fines and Forfeits	1,025,165	0	0	0	1,025,165
Investment earnings	6,374	533	117	35,319	42,343
Special Assessment Payments	0	0	0	1,151,897	1,151,897
Miscellaneous	119,472	15,103	1,965	128,955	265,495
Total Revenues	<u>20,845,677</u>	<u>1,864,707</u>	<u>2,499,588</u>	<u>8,860,182</u>	<u>34,070,154</u>
<b>EXPENDITURES</b>					
Current:					
General Government	4,251,834	0	0	200	4,252,034
Security of Persons & Property	13,028,913	0	0	0	13,028,913
Physical Environment	191,235	0	0	0	191,235
Transportation	0	1,855,531	37,038	557,123	2,449,692
Economic Environment	1,176,224	0	0	1,216,386	2,392,610
Mental & Physical Health	0	0	0	0	0
Culture & Recreation	1,803,390	0	0	3,680,758	5,484,148
Capital Outlay					
Culture & Recreation		0	0	137,488	137,488
Economic Environment	10,678	0	0	0	10,678
Highway/streets	0	46,700	2,532,692	111,645	2,691,037
Debt Service					
Principal Retirement	0	0	0	2,066,790	2,066,790
Interest and other charges	12,359	0	0	561,556	573,915
Debt Issue Costs	0	0	0	0	0
Total Expenditures	<u>20,474,633</u>	<u>1,902,231</u>	<u>2,569,730</u>	<u>8,331,946</u>	<u>33,278,540</u>
Excess (Deficiency) of Revenue					
Over (Under) Expenditures	<u>371,044</u>	<u>(37,524)</u>	<u>(70,142)</u>	<u>528,236</u>	<u>791,614</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Asset Disposition	0	0	0	0	0
Transfers In	225,300	0	0	1,836,111	2,061,411
Debt Issuance Proceeds	0	0	10,013	5,759,700	5,769,713
Reissuance of Debt	0	0	0	(5,720,000)	(5,720,000)
Insurance Recoveries	181,300	0	0	0	181,300
Transfers Out	(366,870)	0	0	(1,560,241)	(1,927,111)
Total Other Financing Sources (Uses)	<u>39,730</u>	<u>0</u>	<u>10,013</u>	<u>315,570</u>	<u>365,313</u>
Change in Fund Balance	410,774	(37,524)	(60,129)	843,806	1,156,927
Fund Balance January 1	3,661,729	491,960	445,896	2,861,700	7,461,285
Prior Period Adjustment	0	0	0	0	0
Fund Balance December 31	<u>\$ 4,072,503</u>	<u>\$ 454,436</u>	<u>\$ 385,767</u>	<u>\$ 3,705,506</u>	<u>\$ 8,618,212</u>

**CITY OF WENATCHEE, WASHINGTON  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCE  
OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balance - total governmental funds	\$ 1,156,927
---	--------------

The amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures and sales of capital assets as revenue. However in the Statement of Activities the cost of those assets is instead allocated over their estimated useful lives and reported as depreciation expense. The sale of assets on the Statement of Activities will only report a profit or loss if the proceeds of the sale are more or less than the net value of the asset. This is the amount by which capital outlays exceeded depreciation in the current period and the net effect of the sale of capital assets and donations.

1,839,123

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(1,357,441)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long term debt and related items

1,985,698

The Internal Service funds are used to support governmental activities.

The net revenue (expense) of these funds are reported in governmental activities.

620,556

OPEB Cost

(408,298)

Compensated Absences

77,736

Change in net position of governmental activities.

	\$ 3,914,301
--	--------------

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET -</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes:				
Property	\$ 4,695,556	\$ 4,695,556	\$ 4,716,316	\$ 20,760
Sales	6,588,310	6,663,310	6,894,491	231,181
Business	5,144,000	5,200,839	5,133,434	(67,405)
Other	27,500	27,500	34,629	7,129
Licenses & Permits	593,900	763,900	796,332	32,432
Intergovernmental	663,545	750,068	748,527	(1,541)
Charges for Services	1,423,372	1,395,937	1,370,936	(25,001)
Fines & Forfeits	1,128,300	1,012,800	1,025,165	12,365
Interest Earnings	8,000	8,000	4,764	(3,236)
Rentals	42,280	42,280	46,427	4,147
Miscellaneous	25,500	49,250	73,045	23,795
Total Revenues	<u>20,340,263</u>	<u>20,609,440</u>	<u>20,844,066</u>	<u>234,626</u>
<b>EXPENDITURES</b>				
Current:				
General Government Services:				
Legislative	1,563,015	1,625,386	1,575,099	50,287
Judicial	699,500	699,500	671,185	28,315
Financial	696,626	901,726	849,086	52,640
Legal	342,200	376,500	381,538	(5,038)
Personnel	141,799	201,799	174,722	27,077
Employee Benefits Program	0	0	0	0
Facility Maintenance	615,500	615,500	600,204	15,296
Total General Government Services	<u>4,058,640</u>	<u>4,420,411</u>	<u>4,251,834</u>	<u>168,577</u>
Security of Persons & Property:				
Police	8,855,000	8,903,000	8,965,807	(62,807)
Fire	3,527,442	3,517,442	3,522,538	(5,096)
Total Security of Persons & Property	<u>12,382,442</u>	<u>12,420,442</u>	<u>12,488,345</u>	<u>(67,903)</u>
Physical Environment	191,235	191,235	191,235	0
Economic Environment	1,117,109	1,244,583	1,176,224	68,359
Mental & Physical Health	0	0	0	0
Culture & Recreation	1,832,638	1,840,974	1,803,390	37,584
Capital Outlay	28,500	28,500	10,678	17,822
Debt Service:				
Principal Retirement	59,150	89,150	0	89,150
Interest and Fiscal Charges	12,359	12,359	12,359	0
Total Expenditures	<u>19,682,073</u>	<u>20,247,654</u>	<u>19,934,065</u>	<u>313,589</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>658,190</u>	<u>361,786</u>	<u>910,001</u>	<u>548,215</u>



**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET -
				POSITIVE
				(NEGATIVE)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	0	0	0	0
Insurance Proceeds	0	181,000	181,301	301
Transfers In	242,980	242,980	225,300	(17,680)
Transfers Out	(1,059,016)	(952,016)	(918,870)	33,146
Total Other Financing Sources (Uses)	<u>(816,036)</u>	<u>(528,036)</u>	<u>(512,269)</u>	<u>15,767</u>
Excess (Deficiency) of Revenues and				
Other Sources over (Under)				
Expenditures and Other Uses	(157,846)	(166,250)	397,732	563,982
Fund Balance January 1	2,603,934	2,603,934	2,603,934	0
Prior Period Correction	0	0	0	0
Fund Balance December 31	<u>\$ 2,446,088</u>	<u>\$ 2,437,684</u>	<u>\$ 3,001,666</u>	<u>\$ 563,982</u>

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STREET FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>FINAL BUDGET -</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,105,309	\$ 5,309
Intergovernmental Revenues	417,500	417,500	423,592	6,092
Charges for Services	251,510	251,510	320,170	68,660
Interest	1,300	1,300	533	(767)
Miscellaneous	24,589	24,589	15,103	(9,486)
Total Revenues	<u>1,794,899</u>	<u>1,794,899</u>	<u>1,864,707</u>	<u>69,808</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,950,739	1,875,739	1,855,530	20,209
Capital Outlay	0	43,200	46,700	(3,500)
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>1,950,739</u>	<u>1,918,939</u>	<u>1,902,230</u>	<u>16,709</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(155,840)</u>	<u>(124,040)</u>	<u>(37,523)</u>	<u>86,517</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	0	0	0	0
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(155,840)</u>	<u>(124,040)</u>	<u>(37,523)</u>	<u>86,517</u>
Fund Balance January 1	<u>491,960</u>	<u>491,960</u>	<u>491,960</u>	<u>0</u>
Fund Balance December 31	<u>\$ 336,120</u>	<u>\$ 367,920</u>	<u>\$ 454,437</u>	<u>\$ 86,517</u>

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ARTERIAL STREET FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET -
				POSITIVE
				(NEGATIVE)
<b>REVENUES</b>				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	3,468,573	2,898,708	2,497,506	(401,202)
Charges for Services	0	0	0	0
Interest	200	200	117	(83)
Miscellaneous	0	8,098	1,965	(6,133)
Total Revenues	<u>3,468,773</u>	<u>2,907,006</u>	<u>2,499,588</u>	<u>(407,418)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	0	0	15,852	(15,852)
Capital Outlay	3,033,373	3,051,338	2,553,878	497,460
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>3,033,373</u>	<u>3,051,338</u>	<u>2,569,730</u>	<u>481,608</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>435,400</u>	<u>(144,332)</u>	<u>(70,142)</u>	<u>74,190</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	0	0	0	0
Loan Proceeds	0	8,711	10,013	1,302
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>8,711</u>	<u>10,013</u>	<u>1,302</u>
Excess (Deficiency) of Revenues and				
Other Sources Over (Under)				
Expenditures and Other Uses	<u>435,400</u>	<u>(135,621)</u>	<u>(60,129)</u>	<u>75,492</u>
Fund Balance January 1	445,896	445,896	445,896	0
Prior Period Adjustment	0	0	0	0
Fund Balance December 31	<u>\$ 881,296</u>	<u>\$ 310,275</u>	<u>\$ 385,767</u>	<u>\$ 75,492</u>

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
<b>ASSETS</b>						
Current Assets						
Cash & Cash Equivalents	\$ 6,835,547	\$ 1,533,454	\$ 1,282,578	\$ 189,156	\$ 9,840,735	\$ 4,590,519
Receivables (net of allowance for uncollectibles):						
Accounts	773,965	128,735	0	194,845	1,097,545	1,770
Intergovernmental	631,599	456	72,627	46,347	751,029	0
Due from other funds	0	9,207	0	0	9,207	0
Prepaid Expense	30,000	0	0	0	30,000	0
Restricted Cash	1,732,682	968,629	0	0	2,701,311	42,348
Inventory of Material and Supplies	423,881	0	0	0	423,881	18,546
Total current assets	<u>10,427,674</u>	<u>2,640,481</u>	<u>1,355,205</u>	<u>430,348</u>	<u>14,853,708</u>	<u>4,653,183</u>
Noncurrent assets						
Investments	399,689	0	0	0	399,689	0
Restricted Assets:						
Cash-Revenue Bond Debt Service	2,011,342	347,813	0	0	2,359,155	0
Due from other funds	0	0	0	0	0	107,180
Capital Assets (Net)	<u>52,231,068</u>	<u>7,262,753</u>	<u>7,791,694</u>	<u>887,229</u>	<u>68,172,744</u>	<u>2,978,116</u>
Total noncurrent assets	<u>54,642,099</u>	<u>7,610,566</u>	<u>7,791,694</u>	<u>887,229</u>	<u>70,931,588</u>	<u>3,085,296</u>
Total Assets	<u>65,069,773</u>	<u>10,251,047</u>	<u>9,146,899</u>	<u>1,317,577</u>	<u>85,785,296</u>	<u>7,738,479</u>
<b>LIABILITIES</b>						
Current liabilities						
Accounts Payable	343,343	34,196	19,584	54,875	451,998	114,212
Wages and Benefits Payable	11,564	0	0	0	11,564	0
Deposits Payable	58,600	0	0	0	58,600	0
Retainage Payable	28,274	9,947	0	0	38,221	0
Claims and Judgements Payable	0	0	0	0	0	100,000
Custodial	20,395	0	0	0	20,395	0
Due to Other Funds	30,000	0	0	9,207	39,207	0
Total current liabilities	<u>492,176</u>	<u>44,143</u>	<u>19,584</u>	<u>64,082</u>	<u>619,985</u>	<u>214,212</u>
Current liabilities payable from restricted assets						
Due to Other Governments	501,868	0	0	0	501,868	0
Accrued Interest Payable	96,716	10,995	0	0	107,711	0
Revenue Bonds Payable - Current	<u>952,136</u>	<u>187,864</u>	<u>0</u>	<u>0</u>	<u>1,140,000</u>	<u>0</u>
Total current liabilities payable from restricted assets	<u>1,550,720</u>	<u>198,859</u>	<u>0</u>	<u>0</u>	<u>1,749,579</u>	<u>0</u>
Noncurrent liabilities						
Due to other Governments	7,207,975	0	0	0	7,207,975	0
Unamortized Debt Premium	503,614	128,742	0	0	632,356	0
Revenue Bonds Payable	16,157,047	3,157,953	0	0	19,315,000	0
Compensated Absences	<u>193,865</u>	<u>0</u>	<u>21,204</u>	<u>39,162</u>	<u>254,231</u>	<u>133,763</u>
Total Non-current Liabilities	<u>24,062,501</u>	<u>3,286,695</u>	<u>21,204</u>	<u>39,162</u>	<u>27,409,562</u>	<u>133,763</u>
Total Liabilities	<u>26,105,397</u>	<u>3,529,697</u>	<u>40,788</u>	<u>103,244</u>	<u>29,779,126</u>	<u>347,975</u>
<b>NET POSITION</b>						
Invested in Capital Assets						
Net of Related Debt	27,412,042	3,916,936	7,791,694	887,229	40,007,901	2,978,116
Restricted	3,744,024	1,316,442	0	0	5,060,466	42,348
Unrestricted	<u>7,808,310</u>	<u>1,487,972</u>	<u>1,314,417</u>	<u>327,104</u>	<u>10,937,803</u>	<u>4,370,040</u>
Total Net Position	<u>\$ 38,964,376</u>	<u>\$ 6,721,350</u>	<u>\$ 9,106,111</u>	<u>\$ 1,214,333</u>	<u>\$ 56,006,170</u>	<u>\$ 7,390,504</u>

	<b>WATER SEWER</b>	<b>STORM DRAIN</b>	<b>REGIONAL WATER</b>	<b>OTHER PROPRIETARY</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>OPERATING REVENUES:</b>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	58,929
Residential Utility Sales	4,605,121	662,569	0	2,036,065	7,303,755	0
Commercial/Industrial Utility Sales	4,244,118	830,681	1,265,030	0	6,339,829	0
Connection Fees	176,139	0	0	0	176,139	0
Charges for Services	86,700	2,278	0	188,136	277,114	3,701,128
Intergovernmental	0	0	0	0	0	0
Miscellaneous	55,082	115	94	297	55,588	34,724
Total Operating Revenues	<u>9,167,160</u>	<u>1,495,643</u>	<u>1,265,124</u>	<u>2,224,498</u>	<u>14,152,425</u>	<u>3,794,781</u>
<b>OPERATING EXPENSES:</b>						
Operations and Maintenance	3,364,366	580,785	501,968	1,962,163	6,409,282	1,950,725
Contracted Operations	0	0	0	14,000	14,000	0
Payment of Premiums	0	0	0	0	0	937,191
General Administration	1,365,933	0	0	259,992	1,625,925	72,401
Depreciation/Amortization	1,743,413	152,468	237,800	6,579	2,140,260	409,585
Total Operating Expenses	<u>6,473,712</u>	<u>733,253</u>	<u>739,768</u>	<u>2,242,734</u>	<u>10,189,467</u>	<u>3,369,902</u>
Operating Gain (Loss)	2,693,448	762,390	525,356	(18,236)	3,962,958	424,879
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest Income	51,890	4,075	1,257	652	57,874	5,844
Interest Expense & Related Charges	(803,230)	(136,991)	0	0	(940,221)	0
Capital Contributions	0	0	0	0	0	13,094
Grant Revenue	0	50,330	0	132,951	183,281	0
Amortization of Debt Issues	26,881	6,845	0	0	33,726	0
Insurance Recoveries	1,387	0	0	0	1,387	90,153
Gain (Loss) on Capital Assets	0	0	0	0	0	(1,929)
Non-Operating Revenues Net of Expense	<u>(723,072)</u>	<u>(75,741)</u>	<u>1,257</u>	<u>133,603</u>	<u>(663,953)</u>	<u>107,162</u>
<b>Net Income Before Transfers</b>	1,970,376	686,649	526,613	115,367	3,299,005	532,041
Transfers In (Out)	<u>(290,415)</u>	<u>(65,793)</u>	<u></u>	<u>133,392</u>	<u>(222,816)</u>	<u>88,515</u>
Change in Net Position	1,679,961	620,856	526,613	248,759	3,076,189	620,556
Net Position January 1	37,483,932	6,127,144	8,468,734	965,574	53,045,384	6,769,948
Prior Period Adjustment	<u>(199,517)</u>	<u>(26,650)</u>	<u>110,764</u>	<u>0</u>	<u>(115,403)</u>	<u>0</u>
Net Position December 31	<u>\$ 38,964,376</u>	<u>\$ 6,721,350</u>	<u>\$ 9,106,111</u>	<u>\$ 1,214,333</u>	<u>\$ 56,006,170</u>	<u>\$ 7,390,504</u>

	<b>WATER SEWER</b>	<b>STORM DRAIN</b>	<b>REGIONAL WATER</b>	<b>OTHER PROPRIETARY</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 9,061,135	\$ 1,724,356	\$ 1,235,757	\$ 2,214,990	14,236,238	\$ 3,803,433
Cash payments to vendors	(3,940,914)	(332,190)	(357,494)	(1,974,440)	(6,605,038)	(2,131,974)
Cash payments to employees	(1,392,954)	(230,362)	(148,489)	(258,079)	(2,029,884)	(870,086)
Other operating revenues	55,082	115	94	297	55,588	3,365
Net cash provided by operating activities	<u>3,782,349</u>	<u>1,161,919</u>	<u>729,868</u>	<u>(17,232)</u>	<u>5,656,904</u>	<u>804,738</u>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Grant proceeds	0	33,797	0	0	33,797	0
Transfers	(290,415)	(65,793)	0	91,674	(264,534)	88,515
Net cash provided by noncapital financing	<u>(290,415)</u>	<u>(31,996)</u>	<u>0</u>	<u>91,674</u>	<u>(230,737)</u>	<u>88,515</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(3,004,985)	(495,742)	(2,540,700)	(137,529)	(6,178,956)	(904,208)
Proceeds from issuance interfund debt	0	0	0	(203,184)	(203,184)	0
Principal repayment on revenue bonds	(931,220)	(183,780)	0	0	(1,115,000)	0
Interest and related costs paid on revenue bonds	(712,817)	(137,519)	0	0	(850,336)	0
Proceeds of construction loans	466,672	0	0	0	466,672	0
Repayment of construction loans	(456,433)	0	0	0	(456,433)	0
Interest and related costs on construction loans	(51,788)	0	0	0	(51,788)	0
External operating subsidy	0	0	0	340,713	340,713	0
Insurance Recoveries	1,387	0	0	0	1,387	90,153
Grant proceeds	0	62,086	0	0	62,086	0
Proceeds from sale of equipment	0	0	0	0	0	(1,930)
Capital contributed by customers	0	0	0	0	0	13,095
Net cash used for capital and related financing	<u>(4,689,184)</u>	<u>(754,955)</u>	<u>(2,540,700)</u>	<u>0</u>	<u>(7,984,839)</u>	<u>(802,890)</u>
<b>Cash Flows From Investing Activities:</b>						
Proceeds from maturities of investment	236,079	0	0	0	236,079	0
Interest on investments	51,890	4,075	1,257	652	57,874	5,844
Net cash provided(used) in investing activities	<u>287,969</u>	<u>4,075</u>	<u>1,257</u>	<u>652</u>	<u>293,953</u>	<u>5,844</u>
Net increase (decrease) in cash and cash equivalents	(909,281)	379,043	(1,809,575)	75,094	(2,264,719)	96,207
Cash and cash equivalents at beginning of year	11,488,852	2,470,853	3,092,153	114,062	17,165,920	4,536,661
Cash and cash equivalents at end of year	<u>\$ 10,579,571</u>	<u>\$ 2,849,896</u>	<u>\$ 1,282,578</u>	<u>\$ 189,156</u>	<u>\$ 14,901,201</u>	<u>\$ 4,632,868</u>
<b>Reconciliation of Operating Income to net cash provided (used) by operating activities</b>						
Operating Income (Loss)	\$ 2,693,448	\$ 762,390	\$ 525,356	\$ (18,236)	3,962,958	\$ 424,879
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation	1,743,413	152,468	237,800	6,579	2,140,260	409,585
Change in assets and liabilities:						
(Increase) Decrease Accounts Receivable	(57,547)	(16,074)	0	4,451	(69,170)	12,017
(Increase) Decrease Due From Other Funds	0	244,902	0	0	244,902	9
(Increase) Decrease Due From Other Governments	0	0	(29,273)	34,791	5,518	0
(Increase) Decrease Inventory	(144,891)	0	0	0	(144,891)	0
(Increase) Decrease in Prepaid Expense	(30,000)					
Increase (Decrease) Accounts Payable	(452,965)	8,286	3,517	7,237	(433,925)	(56,669)
Increase (Decrease) Payroll Taxes Payable	9,622	0	0	0	9,622	(89)
Increase (Decrease) Retainage Payable	4,323	9,947	(3,256)	0	11,014	0
Increase (Decrease) Customer Deposits Payable	6,603	0	0	0	6,603	0
Increase (Decrease) Due to Other Funds	30,000	0	0	(3,251)	26,749	0
Increase (Decrease) Due to Other Govn't	0	0	0	0	0	0
Increase (Decrease) Accrued Employee Leave	(19,657)	0	(4,276)	1,355	(22,578)	15,006
Total Adjustments	<u>1,088,901</u>	<u>399,529</u>	<u>204,512</u>	<u>51,162</u>	<u>1,774,104</u>	<u>379,859</u>
Net Cash Provided by Operating Activities	<u>\$ 3,782,349</u>	<u>\$ 1,161,919</u>	<u>\$ 729,868</u>	<u>\$ 32,926</u>	<u>\$ 5,737,062</u>	<u>\$ 804,738</u>

CITY OF WENATCHEE, WA  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2013

FIREMEN'S PENSION TRUST FUND		
<b>ASSETS</b>		
Cash	\$	1,311,644
Investments		751,350
Receivables:		
Taxes		0
Accounts		0
Interest on Investments		0
Intergovernmental		0
TOTAL ASSETS		<u>2,062,994</u>
<b>LIABILITIES</b>		
Accounts Payable		0
Deferred Revenues		0
TOTAL LIABILITIES		<u>0</u>
<b>Net Position</b>		
Assets held in trust	\$	<u>2,062,994</u>

**CITY OF WENATCHEE, WA**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2013**

	<b>FIREMEN'S PENSION TRUST FUND</b>
<b>ADDITIONS</b>	
Property Taxes	\$ 0
Fire Insurance Premiums	26,147
Interest Income	73,366
Total additions	<u>99,513</u>
<b>DEDUCTIONS</b>	
Retirement Benefits	113,645
General Administration	0
Transfers Out	0
Total deductions	<u>113,645</u>
Change in net position	(14,132)
Net Position January 1	<u>2,077,126</u>
Net Position December 31	<u><u>\$ 2,062,994</u></u>



**CITY OF WENATCHEE, WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

The financial statements of the City of Wenatchee have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described in the following notes.

**A. REPORTING ENTITY**

The City of Wenatchee (City) was incorporated on December 26, 1892, and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a Mayor/Council form of government. Wenatchee is served by a Mayor and seven part-time Councilors; all elected at large to staggered four-year terms. As required by generally accepted accounting principles, the financial statements present the City of Wenatchee as a primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance a part of a government's operations and are included in the City's financial statements. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

The City's primary government major operations include police and fire protection; street maintenance and construction; parks and recreation; planning and zoning; water, sewer and storm drain systems; and general administrative functions. The City has one blended component unit and one discretely presented component unit.

**Blended Component Unit**

The Wenatchee City Council adopted Ordinance 2011-60 as allowed by RCW 36.73 to create the Wenatchee Transportation Benefit District (The District). The District was formed for the purposes of acquiring, constructing, improving, providing and funding transportation improvements within the District. The District's boundaries are the City limits of the City of Wenatchee and the Wenatchee City Council constitutes the governing body of the District. To fund the street improvements The District imposed a twenty dollar license tab fee as allowed in RCW 82.80.140.

If the District has not issued debt, the District will dissolve December 31, 2015 unless otherwise amended by ordinance.

**Discretely Presented Component Unit**

The Greater Wenatchee Regional Events Center Public Facilities District (PFD) was formed through an interlocal agreement in June 2006 to oversee the construction and operation of an event center facility. Included in the interlocal agreement are the City of Wenatchee, City of Cashmere, City of Chelan, City of East Wenatchee, City of Entiat, The Town of Waterville, City of Rock Island, Chelan County and Douglas County. Construction of the event center commenced late summer 2007 and was completed in the autumn of 2008.

The PFD is included in the City of Wenatchee's reporting entity as a discretely presented component unit because of the financial commitment of the .2% additional sales and use tax the City imposed in 2012 to assist the PFD to refinance their outstanding debt. Additional information on the City's relationship with the PFD is discussed in Note 10 and Note 12.

Complete separate financial statements for the Greater Wenatchee Regional Events Center Public Facilities District may be obtained at GWREC PFD, 1300 Walla Walla, Wenatchee, WA.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**1. Government-wide Financial Statements**

The *Statement of Net Position* and *Statement of Activities* report information on all the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been eliminated to avoid "doubling up" revenues and expenses. Governmental activities, which are normally supported by taxes and

intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the government is financially accountable.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements or a particular function or segment. Taxes and other items properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Wenatchee considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available when cash is received by the City of Wenatchee.

The City of Wenatchee reports the following major governmental funds for 2013:

- The **general fund** is the City of Wenatchee's primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The primary revenue sources are property, sales and utility taxes.
- The **street fund** accounts for all activities pertaining to street maintenance including street cleaning, maintenance of sidewalks, maintenance of street lighting systems and traffic signal systems and snow plowing. The primary revenue sources are property and motor vehicle fuel taxes. The street fund is accounted for as a special revenue fund.
- The **arterial street fund** accounts for the revenues and expenditures related to the construction and rehabilitation of major streets throughout the City. The primary revenue sources are motor vehicle fuel taxes and grants. The arterial street fund is accounted for as a special revenue fund.

The City of Wenatchee reports the following major proprietary funds for 2013:

- The **water/sewer fund** accounts for the operation of the water distribution system, and sanitary sewer collection and treatment systems.
- The **storm drain fund** accounts for the expansion and maintenance of the City's storm sewer system.
- The **regional water fund** accounts for the activities surrounding the delivery of water to the City of Wenatchee's water/sewer fund, Chelan County Public Utility District No. 1 and the East Wenatchee Water

District. Activities include monitoring and maintaining pumps, wells, transmission lines and chlorination systems.

Additionally, the City reports the following fund types:

- Internal service funds account for fleet operation and maintenance, fleet replacement, facility maintenance, data processing and self-insurance services provided to other departments of the City, on a cost reimbursement basis.
- Permanent funds include the *cemetery endowment fund* that accounts for the perpetual care endowment of the City cemetery.
- The *firemen's pension trust fund* accounts for the accumulation of resources and payments of pension benefit payments to qualified retired firemen.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are the services provided to/from the proprietary funds.

Amounts reported as program revenues include charges to customers; operating grants and contributions; and capital grant and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. BUDGETARY INFORMATION**

##### **1. Scope of Budget**

Annual appropriated budgets are adopted at the fund level for the governmental funds on the modified accrual basis of accounting. Proprietary funds are also budgeted at a fund level but on a working capital basis. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. Other budgets are adopted at the level of the fund, except in the general fund where expenditures may not exceed appropriations at the departmental level and the budget constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year end (except for appropriations for capital projects, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrance accounting is employed in all governmental and proprietary funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse and are not reported as reservations of fund balances. Encumbrances that lapse at yearend must be reappropriated during the subsequent fiscal year.

##### **2. Amending the Budget**

With the approval of the Mayor, department directors have limited ability to transfer budgeted amounts between object classes within departments; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority (5 of 7 councilors) after holding a public hearing. During 2013 the budget was amended twice and the budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

### 3. Excess of Expenditures Over Appropriations

No major fund exceeded its budget authority.

### 4. Deficit Net Position

- The CDBG Entitlement Fund (a special revenue fund) has a deficit fund balance of \$12,238 at December 31, 2013. The deficit was the result of the City expending money on grant financed projects that were not reimbursed until after yearend. The City has subsequently recovered the monies expended through a reimbursement request.
- The Police Station Bond debt service fund has a deficit fund balance of \$7,171 at December 31, 2013. This is a \$7,128 decrease over the December 31, 2012 deficit of \$14,299. The deficit is a result of delinquencies on property tax collections that support debt service payments on the underlying unlimited tax general obligation bonds. The fund balance is expected to become positive through future collections of delinquent property tax payments by the Chelan County Treasurer.
- The Governmental Capital Projects Fund has a deficit fund balance of \$8,016 at December 31, 2013. The deficit was a result of the City expending money on grant financed projects that were not reimbursed until after yearend. The City has subsequently recovered the monies expended through a reimbursement request.

## **E. ASSETS, LIABILITIES, FUND BLANCES, NET POSITION**

### 1. Cash, Cash Equivalents and Investments

It is the city's policy to invest all temporary cash surpluses. At December 31, 2013, the treasure was holding \$26 million in short term residual investment of surplus cash. This amount is classified on the balance sheet as cash. Cash and cash equivalents include amounts in demand deposit accounts as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the government to invest in obligations of the U.S. Treasury, State Treasurer's Investment Pool, banker's acceptances, or deposits with Washington State banks and savings and loan institutions. It is the City's policy to invest all temporary cash surpluses and the interest on these investments is prorated to the various funds.

The City's deposits are entirely covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

### 2. Receivables and Payables

The City of Wenatchee recognizes receivables in its various funds using the appropriate measurement focus and basis of accounting for each fund. The primary types of receivables are as follow:

- Property Taxes  
The City's annual property tax levy (see Note #5 - Property Taxes) is billed and collected by Chelan County. Taxes collected by the County, but not remitted to the City by year-end, are reported as receivables. Taxes are levied and become a lien on the first day of the calendar year. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property.
- Accounts Receivable  
Customer account receivable consist of amounts owned by private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.
- Special Assessments  
Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2013, special assessments receivable totaled \$1,351,299, \$66,438 of which was delinquent at yearend.
- Unrecorded and Uncollectable Receivable  
The City entered into a Contingent Loan Agreement (CLA), November 2008, with the Greater Wenatchee Regional Events Center Public Facilities District (PFD) to help the PFD issue three year Revenue Notes to finance the purchase of the Event Center. The PFD drew on the CLA beginning 2009 and continued

through 2011. As part of the refinancing package of the Notes the PFD issued a Subordinate Note to the City to reimburse the City the amounts loaned and other costs the City incurred as part of the PFD's 2008 Notes refinancing. The total amount of the Subordinate Note is \$5,584,762. The repayment of the Subordinate Note is undetermined at this time. See Note 12 for further discussion.

### 3. Amounts Due to and from Other Funds, Interfund Loans and Advances/Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". A separate schedule of interfund loans receivable and payable is furnished in Note #13 – Interfund Balances and Transfers.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

### 4. Amounts Due to and from Other Governments

These receivables and payables reflect measurable and available intergovernmental charges for services rendered by, or to, the City for, or by, another governmental unit. Amounts due from other governments are primarily related to tax collections that are remitted after year-end and grant reimbursements related to capital projects.

### 5. Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories in proprietary funds are valued using the weighted average method.

### 6. Restricted Assets and Liabilities

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted assets for debt service are resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments and assets set aside according to the bond covenants for the next debt service payment.

Restricted assets of the enterprise funds are composed of the following:

Cash and Investments – Debt Service	\$2,359,155
Cash and Investments – Construction	\$2,701,311

### 7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the fund financial statements, these assets are accounted for and reported based on the measurement focus of the fund. In other words, in the governmental funds, acquired capital assets are accounted for as expenditures when the asset is purchased. In the proprietary funds, the expense is capitalized and the current year's depreciation is reported as the expense.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The cost of normal maintenance and repairs is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting



interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant and equipment of the City are depreciated using the straight-line method and reported in the government-wide statements and proprietary funds using the following estimated useful lives:

Buildings	40-50 years
Building Improvements	40-50 years
Public domain infrastructure	50-100 years
System infrastructure	25-50 years
Equipment	4-45 years

#### 8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

It is the City's policy to permit employees to accumulate earned but unused vacation leave up to a maximum of 400 hours, but at the point of termination will allow a cash-out of no more than 240 hours. Sick leave accumulation is unlimited and is payable at the point of termination at a rate of 25% up to a maximum of 240 hours. The cash-out of sick leave is offered to only those employees that voluntarily terminate service to the City after at least five-years of service.

#### 9. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 10. Deferred Outflows/Inflows of Resources/Deferred Revenues

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate element represents a consumption of net position that applied to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

#### 11. Fund Equity

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No 54. Statement No 54 addresses the usefulness of fund balance information by providing a clearer fund balance classifications based on constraints imposed by the government itself or by external legislation or agreements providing the funding sources. Statement 54 classifies fund balances in the following categories:

- *Non-spendable* fund balance includes amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of the resource providers.
- *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority.

Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint.

- *Assigned* fund balance comprises amounts intended to be used by the government for specific purposes.
- *Unassigned* fund balance is the residual classification of the general fund and includes all amounts not contained in the other classifications.

Following is a description of the restrictions placed on the various fund balances in 2013:

	General	Street	Arterial Streets	Non-Major Funds
Unspendable				
Cemetery Endowment	\$ 0	\$ 0	\$ 0	\$ 952,798
Restricted				
Fine/forfeitures/donations	66,905			
Public art				60,685
Street, sidewalk, path, capital motor vehicle fuel tax & grants			385,767	237,922
Hotel/motel & convention				900,709
Low income assistance programs				609,901
Community Center				132,090
Local revitalization funding				96,383
Local improvement debt service				84,454
REET				520,298
	<u>\$ 66,905</u>	<u>0</u>	<u>385,767</u>	<u>2,642,442</u>
Committed				
LID Guarantee				132,931
	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>132,931</u>
Assigned				
LEOFF retiree health	1,070,838			
Potential refund of utility taxes	169,603			
Street maintenance		454,436		
LTGO debt				4,759
	<u>\$ 1,240,441</u>	<u>454,436</u>	<u>0</u>	<u>4,759</u>
Unassigned	2,765,157			(27,424)
Total fund balance	<u>\$ 4,072,503</u>	<u>\$ 454,436</u>	<u>\$ 385,767</u>	<u>\$ 3,705,506</u>

The City adopted a financial policy in 2012, which established fund balance goals for City funds as indicated below:

- General Fund operating reserve – 15% of recurring expenditures,
- General Fund rainy day reserve - \$1 million to be funded from one-time revenues, excess operating reserves or budgetary action,
- Other governmental operating funds – 17% of recurring expenditures

## **NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government - wide statement of net position. The governmental funds report current assets and liabilities while the net position - governmental reflect long term assets and liabilities. Below is a detailed explanation of the long term reconciling items:

1. Capital assets are not reported in governmental funds. The adjustment for capital assets is added to the governmental fund balances:

Value of governmental assets	\$ 91,209,607
Less accumulated depreciation	( 15,107,061)
Adjustment for governmental fixed assets	<u>\$ 76,102,546</u>

2. Long term liabilities are not reported in governmental funds. The adjustment for long term liabilities is deducted from governmental fund balance:

Councilmanic Bonds Payable	\$ ( 7,470,006)
UTGO Bonds Payable	( 2,367,637)
LID Bonds Payable	( 1,351,299)
Waterfront Loans	( 357,586)
Employee Leave Benefits	( 1,563,964)
Adjustment for long term liabilities	<u>\$( 13,110,492)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government - wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balance includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government - wide statement of activities. The governmental funds report revenue and expenditures on the modified accrual bases while the statement of activities reports on the full accrual bases. The following reconciling items adjust to the full accrual basis:

1. The governmental funds expense capital outlay, do not recognized depreciation and recognize the gross receipts for the sale of property as revenue. The adjustment for this is added to governmental fund balances:

Capital outlay	\$ 2,839,203
Less depreciation expense	(1,435,080)
Donated capital assets	435,000
Adjustment for capital outlay	<u>\$ 1,839,123</u>

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Debt Proceeds (net of expenses)	\$( 5,769,713)
Change in accounting method	( 31,379)
Debt Retired	7,786,790
Adjustment for debt transactions	<u>\$ 1,985,698</u>

3. Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.

Property Taxes	\$ ( 213,541)
Special Assessments Receivable	(1,051,989)
Miscellaneous Receivables	( 91,911)
Adjustment for revenues	<u>\$ (1,357,441))</u>

### **NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions.

### **NOTE 4. DEPOSITS AND INVESTMENTS**

#### **Deposits:**

The City's deposits and certificates of deposit are entirely 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). As of December 31, 2013 the carrying amount of the City's cash balances was \$1,871,185 which consisted of bank deposits and petty cash.



**Investments:**

As of December 31, 2013 the City had \$24,292,976 invested in the Washington State Investment Pool and investments in City managed Special Assessment Districts: \$1,277,572 Riverside Drive LID bonds and \$73,826 Poplar Sewer LID bonds. Credit ratings are not available for these investments.

Custodial risk is the risk that in event of failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. Of the City's \$24,292,976 in the Washington State Investment Pool, nothing is exposed to custodial credit risk.

The investments in the Special Assessment bonds are bonds issued by City managed Special Assessment's or Local Improvement Districts (LID). The property owners benefited by the improvement are billed equal annual installments, with interest, for the term of the LID. If an assessment is not paid for two consecutive years as of January 1 the City will begin foreclosure proceedings on the property. In the event of nonpayment of assessments the City of Wenatchee is obligated to make interest payments of the Special Assessment Bonds and would do so to the extent funds are available in the LID Guaranty Fund. Delinquent principal payments would be made from the receipt of proceeds from the foreclosure and sale of property upon which the delinquency occurred. A description of the LID bonds and the funds invested as of December 31, 2013, is below:

LID Name	Term	Interest Rate	Water/Sewer Fund	Cemetery Endowment Fund	Fireman's Pension Fund	Total Investment
Riverside Dr LID	20 Years	5.56%	\$ 325,862	200,360	751,350	\$ 1,277,572
Poplar Sewer LID	10 Years	4.38%	73,826	0	0	73,826
Total by fund			\$ 399,688	200,360	751,350	\$ 1,351,398

The City did not record a decrease or increase in fair value for the LID investments in 2013.

**NOTE 5. PROPERTY TAXES**

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

**Property Tax Calendar**

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installments is due.
May 31	Assessed value of property established for next year's levy at 100% of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, however, that amount is reduced to \$3.10 as a result of a \$.50 per \$1,000 levy assessed by the North Central Regional Library.

The City's regular levy for 2013 was \$2.623 per \$1,000 on an assessed valuation of \$2,209,418,665 for a total levy of \$5,795,434.

In addition to the regular levy, the City has a bond levy that was approved by the voters in September 2001 for the construction of a police station. The 2013 levy was \$.1711 per \$1,000 on an assessed valuation of \$2,169,288,976 for a total levy of \$371,277.

A six year history of levy rates, amounts levied and assessed valuations within the City of Wenatchee follows:

Tax Collection Year	Regular Levy Rate	UTGO Bond Rate	Amount of Regular Taxes Levied	Amount of Taxes Levied for UTGO Bonds	Assessed Value Regular Levy Purposed	Assessed Value Bond Levy Purposes
2013	\$ 2.62305	\$ 0.17115	\$ 5,795,434	\$ 371,277	\$ 2,209,418,665	\$ 2,169,288,976
2012	\$ 2.46480	\$ 0.16964	\$ 5,705,089	\$ 385,719	\$ 2,314,624,543	\$ 2,273,682,565
2011	2.34562	0.15716	5,554,701	366,543	2,368,109,827	2,332,323,230
2010	2.45870	0.16823	5,422,852	365,653	2,205,578,539	2,173,576,037
2009	2.71722	0.18736	5,380,695	365,653	1,980,222,931	1,951,591,560
2008	2.70205	0.19453	5,119,836	363,160	1,894,796,901	1,866,856,148

#### **NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 10,146,077	\$ 960,912	\$ 0	\$ 11,106,989
Construction in progress	195,033	869,272	(119,859)	944,446
Total capital assets not being depreciated	10,341,109	1,830,184	(119,859)	12,051,434
Capital assets being depreciated:				
Buildings	30,115,138	0	0	30,115,138
Improvements other than buildings	3,190,637	0	0	3,190,637
Machinery and equipment	9,373,891	502,093	(27,058)	9,848,926
Infrastructure	42,460,502	2,370,504	0	44,831,006
Total capital assets being depreciated	85,140,168	2,872,597	(27,058)	87,985,707
Less accumulated depreciation for:				
Buildings	7,468,710	656,093	0	8,124,803
Improvements other than buildings	1,061,533	123,986	0	1,185,519
Machinery and equipment	6,550,050	638,439	(22,548)	7,165,941
Infrastructure	4,054,070	426,147	0	4,480,217
Total accumulated depreciation	19,134,363	1,844,665	(22,548)	20,956,480
Total capital assets being depreciated, net	66,005,805	1,027,932	(4,510)	67,029,228
Governmental activities capital assets, net	\$ 76,346,915	\$ 2,858,116	\$ (124,369)	\$ 79,080,662

Depreciation expense was charged to function/programs of the City of Wenatchee as follows:

General government	277,684
Public Safety	166,999
Culture and recreation	559,296
Infrastructure	431,101
Total depreciation expense	<u>1,435,080</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,519,025	\$ 9,181	\$ 0	\$ 2,528,206
Construction in progress	9,813,993	3,508,976	(445,118)	12,877,851
Intangible Assets	0	2,700,382	0	2,700,382
Total capital assets not being depreciated	12,333,018	6,218,539	(445,118)	18,106,439
Capital assets being depreciated:				
Buildings	83,600,644	606,442	(173,029)	84,034,057
Improvements other than buildings	22,572	0	0	22,572
Machinery and equipment	3,004,805	9,262	0	3,014,067
Infrastructure	0	0	0	0
Total capital assets being depreciated	86,628,021	615,704	(173,029)	87,070,696
Less accumulated depreciation for:				
Buildings	33,172,190	1,880,614	(110,764)	34,942,040
Improvements other than buildings	9,634	785	0	10,419
Machinery and equipment	1,793,074	258,858	0	2,051,932
Infrastructure	0	0	0	0
Intangible Assets	0	110,764	(110,764)	0
Total accumulated depreciation	34,974,898	2,251,021	(221,528)	37,004,391
Total capital assets being depreciated, net	51,653,123	(1,635,317)	48,499	50,066,305
Business-type activities capital assets, net	\$ 63,986,141	\$ 4,583,222	\$ (396,619)	\$ 68,172,744

Depreciation was charged against business-type activities as follows:

Water/Sewer	1,743,412
Storm Drain	152,468
Regional Water	127,035
Cemetery	6,578
Total depreciation expense business activities	<u>2,029,493</u>

#### **NOTE 7. PENSION PLANS**

Substantially all city full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), 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 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

#### **Public Employees' Retirement System (PERS) Plans 1, 2 and 3**

##### Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by August 31, 2002 for local government employees are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months.

There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	<u>263,347</u>

#### Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21%
Employee	6.00%****	4.92%	*****

\* The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plans 2 and 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

\*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31, were:



	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$14,215	\$468,398	\$56,402
2012	\$18,042	\$412,465	\$48,806
2011	\$16,070	\$362,942	\$41,205

### **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2**

#### **Plan Description**

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:



Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total	<u>27,784</u>

#### Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	18.00%	5.23%
Employee	0.00%	8.41%
State	n/a	3.36%

\* The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* The employer rate for ports and universities is 8.59%.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2013	\$90	\$279,767
2012	\$129	\$285,023
2011	\$127	\$289,680

#### Firemen's Pension

The City administers a single employer defined benefit pension plan called the Firemen's Pension Fund. This fund was established by the City in compliance with requirements of the Revised Code of Washington 41.18 and 41.20. The plan is limited to firefighters and their beneficiaries for individuals employed before March 1, 1970, the effective date of LEOFF. The LEOFF laws were subsequently amended by the Pension Reform Act, which took effect October 1, 1977. Through the LEOFF Act, the State undertook to provide the bulk of fire pensions; however the municipalities continue to be responsible for all or part of pension benefits for employees hired prior to March 1, 1970, as discussed later. The plan is a closed plan that provides pension benefits, some of which can be in excess of LEOFF benefits.

As of December 31, 2013, there were a total of 24 retirees or beneficiaries eligible for retirement benefits. Of these 24 the State of Washington pays 6, the City pays 3, and the City and State share the cost of the remaining 15.

### Benefit Provisions

The LEOFF Act requires a varying obligation of the City for benefits paid to firefighters and police officers including:

- Pension expenses for firefighters, and medical expenses for firefighters and police officers hired prior to March 1, 1970, continue to be paid entirely by the City under the old pension laws.
- 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. The City also pays the reasonable cost of necessary medical expenses of the retiree for life.
- For firefighters and police officers hired on or after March 1, 1970 and prior to October 1, 1977, the City is obligated for lifetime medical expenses only. The LEOFF system pays the entire retirement allowance.
- Firefighters and police officers hired on or after October 1, 1977 are covered entirely by the LEOFF system with no obligation for either retirement allowance or medical expenses incurred after retirement.

There were no changes in benefit provisions in the current year.

### Summary of Significant Accounting Policies

The Firemen's Pension system is reported as a trust fund in the financial statements of the City. The financial statements are prepared using the accrual basis of accounting where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City follows GASB Statement No. 25 *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures"* and GASB Statement No. 27, *"Accounting for Pensions by State and Local Governmental Employers."*

As of December 31, 2013, the Firemen's Pension Fund had an investment portfolio with a fair value of \$2,062,994 that was composed of \$15,181 in bank deposits, \$1,296,463 held in the Washington State Treasurer Local Government Investment Pool (the State Investment Pool) and \$751,350 held in investments. The State Investment Pool is a Rule 2a-7 money market type fund with an average portfolio maturity of less than 91 days. Therefore, this portion of the Firemen's Pension fund is valued at cost. Investments are reported at fair value.

### Contributions and Reserves

Funding for the Firemen's Pension Fund has historically come from property taxes diverted from the General Fund and distributions from the State from fire insurance premium collections. Milliman, Inc. completed an actuarial study of the fund as of January 1, 2008, January 1, 2010, January 1, 2012 and January 2014. The General Fund is responsible for the costs of administering the plan. Obligations for medical expenses are funded primarily through group insurance. There have been no required employee contributions to the plans since March 1, 1970. As of December 31, 2013, the Firemen's Pension Fund reported net position reserved for payment of future claims of \$2,062,994.

### Annual Pension Cost and Net Pension Obligation

1	Amortization of Unfunded Actuarial Accrued Liability (UAAL)	\$	(20,655)
2	Interest to December 31, 2013		(826)
3	Annual Required Contribution (ARC) at December 31, 2013		(21,481)
4	Interest on Net Pension Obligation (NPO)		16,346
5	Adjustment to Annual Required Contribution (ARC)		35,341
6	Annual Pension Cost (APC)		(40,476)
7	Employer Contributions		26,147
8	Change in Net Pension Obligation (NPO)		(66,623)
9	Net Pension Obligation (NPO) at January 1, 2013		408,656
10	Net Pension Obligation (NPO) at December 31, 2013	\$	<u>342,033</u>

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Employer Contributions	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2011	(86,591)	(293,796)	N/A	461,352
December 31, 2012	(41,097)	11,599	N/A	408,656
December 31, 2013	(40,476)	26,147	N/A	342,033

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Additional trend information is presented as required supplementary information in Part 6 of this Annual Financial Report.

### Actuarial Assumptions

The actuarial assumptions used in the January 1, 2012 pension actuarial valuation includes techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Assumptions were as follow:

### Actuarial Assumptions

Valuation Date	January 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	20-year, closed as of January 1, 2008
Remaining amortization period as of 12/31/2010	16 year
Asset valuation method	Fair market value
Actuarial assumptions	
Investment rate of return	4.0%
Projected salary increases	3.75%
Inflation	2.75%
Cost-of-living adjustments	Varies*

\* Under the Firemen's Pension funds requirement of State law, most adjustments are based on the change in salary for the rank of the members held at retirement based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

Separate financial statements are not issued for the firemen's pension fund. The statement of net position and the statement of changes in fiduciary net position for the firemen's pension fund are disclosed below:

**ASSETS**

Cash	\$ 1,311,644
Investments	751,350
Receivables:	
Taxes	0
Accounts	0
Interest on Investments	0
Intergovernmental	0
TOTAL ASSETS	<u>2,062,994</u>

**LIABILITIES**

Accounts Payable	0
Deferred Revenues	0
TOTAL LIABILITIES	<u>0</u>

**NET ASSETS**

Assets held in trust	<u>\$ 2,062,994</u>
----------------------	---------------------

**ADDITIONS**

Property Taxes	\$ 0
Fire Insurance Premiums	26,147
Interest Income	73,366
Total additions	<u>99,513</u>

**DEDUCTIONS**

Retirement Benefits	113,645
General Administration	0
Transfers out	0
Total deductions	<u>113,645</u>

**Change in net assets** (14,132)

**NET ASSETS January 1,** 2,077,126

**NET ASSETS December 31,** \$ 2,062,994

**NOTE 8. RISK MANAGEMENT****Property & Casualty Coverage:**

The City of Wenatchee is exposed to risks of loss related to a number of sources including tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City protects itself against potential loss by employing a two-tier risk management approach. First, the City shares risk of losses through membership in the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Second, the City reserves the right to utilize the provisions of RCW 35A.31.060-070 to fund catastrophic or uninsured losses. This State statute allows cities to levy a non-voted property tax increase to pay for uninsured claims.

The City of Wenatchee is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2013, 91 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverage's are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property reinsurance carrier and fidelity (crime) coverage is a stand-alone policy which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA pays out of its own funds all claims up to its Self-Insured Retention (SIR) of \$250,000 and, thereafter, purchases liability reinsurance through Berkley Public Entity of \$750,000. For the additional \$9 million in coverage limits, an excess liability policy is purchased from CV Starr. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA has a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

#### **Claims Payable and Settlements:**

The Self-Insurance Fund is used for collecting interfund premiums from insured funds and departments, and for paying claims settlements. Interfund premiums are assessed on the basis of claims history, number of employees, and value of assets. Claims settlements and loss expenses are accrued in the estimated settlement value of both reported and unreported claims. No settlements have exceeded insurance coverage in any of the past three years.

As of December 31, 2013, the City had accrued the following amounts for outstanding claims:

	Incurred/ Reported	Incurred but not Reported	Total Claims Payable
Total	\$ 22,765	\$ 100,000	\$ 122,765

The following schedule presents changes in claims liabilities for 2013:

	Property & Casualty	
	2013	2012
Claims liabilities, January 1	\$ 112,810	\$ 352,242
Claims and operating expenses:		
Incurred during current year	1,009,592	963,935
Changes in estimate of claims from prior periods	0	0
Paid	(999,637)	(1,203,367)
Claims liabilities, December 31	\$ 122,765	\$ 112,810

**NOTE 9. SHORT-TERM DEBT**

In 2009 the State Legislature approved Second Substitute Senate Bill 5045 (2SSB 5045) creating a funding source (Local Revitalization Financing (LRF)) for local governments to improve blighted areas within their jurisdiction. The amount and timing of the funding depended on the increased sales tax revenues to the State from the City. The City of Wenatchee's district application to develop the waterfront was approved September 2009 and funds became available September 2013. These funds are currently being used to repay the costs to develop the Pybus Market which opened May of 2013.

The short-term debt is the purchase of an easement at the Pybus Market. The source of repayment is 75% of the LRF revenues.

Short-term activities for the year ended December 31, 2013 was as follows:

	Beginning Balance 12/31/12	Issued	Redeemed	Ending Balance 12/31/13
Pybus Charitable Foundation	\$ -	\$ 400,000	\$ 137,158	\$ 262,842

**NOTE 10. LONG-TERM DEBT**

The City's long-term debt consists primarily of general obligation bonds, revenue bonds and loans, local improvement district bonds and accrued employee leave benefits related to vacation and sick leave. The City's long-term debt is accounted for in four areas:

1) General Obligations Bonds and Loans

- Limited Tax General Obligation (LTGO) Bonds – Consist of four issues of non-voted general obligation bonds. Each of these issues represents a direct obligation of the City and the full faith and credit of the City has been irrevocably pledged to satisfy related debt service requirements. The LTGO issues currently outstanding are:
  - Bonds issued in 1998 for the purpose of completing overlays over roughly 40 miles of City streets were refinanced May, 2013. These bonds mature in 2014. The original bonds have been paid in full and removed from the city's governmental column of the financial statements.
  - Bonds issued in 2007 for the purpose of financing a portion of the construction cost of a public works building, renovating a portion of the city hall building, and renovating a portion of the convention center facility.
  - Bonds issued in 2007 to refund bonds initially issued in 1997 for the purpose of renovating the convention center. The refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the remaining fourteen years (2008 through 2021) of \$276,466 for a net present value savings of \$214,274.
  - Bond anticipation notes (BAN) issued in 2008 to complete a public service building. This three year Note matured December 2011. The City partially paid this note down, \$666,629, and rolled the remaining \$2,400,000 over for another three year term maturing August 1, 2014. This note was refinanced May 2013, extending the term to 2021 with annual principal and interest payments. The BAN's have been paid in full and removed from the city's governmental column of the financial statements.
- Unlimited Tax General Obligation (UTGO) Bonds – Consist of one issue of voter approved general obligation bonds that were issued in 2001 for the construction of a new police station. The bonds are a direct obligation of the City and the full faith and credit of the government has been irrevocably pledged to satisfy related debt service requirements. For as long as the bonds are outstanding, the City irrevocably pledges to levy taxes annually without limitation as to rate or amount on all taxable property within the City in an amount sufficient, together with other money legally available and to be used therefore, to pay the principal of and interest on the Bonds when due. These bonds were refinanced May 2013, for a net present value savings of \$313,800. The original 2001 bonds have been paid in full and the liability has been removed from the city's governmental column of the financial statements.



2) Revenue Bonds and Loans

- Revenue Bonds – Two separate series of revenue bonds are currently outstanding and were issued to finance water, sewer, storm drain and regional water system construction projects. The bonds are being repaid by operating revenues of the individual proprietary funds that benefited from the related capital assets.
- Washington Department of Ecology – State Revolving Fund (SRF) Loan – The City was the recipient of a low interest loan (1.5% over 20 years) from the State Department of Ecology in 2007 whose proceeds were used for an upgrade of a wastewater treatment plant that is part of the City's Water/Sewer enterprise fund. The loan will be repaid by future operating revenues of the fund.
- Washington Department of Commerce - Public Works Trust Fund Loan (PWTF) – The City entered into two loan agreements with the Public Works Board for a low interest loan (.5% over 20 years') to finance the two sewer improvement projects. The City completed construction of both projects in 2013 and the repayment period ends June 1, 2031.

3) Special Assessment or Local Improvement District (LID) Bonds have been issued to finance construction projects for sewers, sidewalks, etc. that have been requested by citizens and benefit specific locations within our community. These bonds are repaid with the proceeds of annual billings assessed against the property owners that benefited from the improvements. In the event of nonpayment of assessments the City of Wenatchee is obligated to make the payment of principal and interest of the Special Assessment Bonds and would do so to the extent funds are available in the LID Guaranty Fund and through the receipt of proceeds from the foreclosure and sale of property upon which the delinquency occurred. At December 31, 2012 the LID Guaranty Fund had an unassigned fund balance of \$132,931. In 2011 the City completed two LID projects Poplar Sewer Improvements \$96,696 and Riverside Drive Street Improvements \$2,550,555. The City's Water Sewer, Cemetery Endowment and Firemen's Pension Funds purchased these bonds.

4) Employee leave benefits (otherwise known as compensated absences) that account for the underlying liability related to the accumulation of accrued vacation and sick leave.

5) Loan Guarantee In 2002, Chelan County issued \$2,560,000 in LTGO Bonds, to be used for the design, construction and equipping of a 911 call center to be known as Rivercom. Rivercom is a multi-jurisdictional public safety answering point that was formed through an Interlocal Cooperative Agreement that includes four partners: Chelan County, Douglas County, the City of Wenatchee, and the City of East Wenatchee. Prior to the issuance of the bonds, each of the partners signed a Financing Agreement that commits each party to be a guarantor of up to twenty-five percent (25%) of the principal amount of the bonds. The City's initial share of the guaranty was \$640,000, which was reduced each year as Chelan County makes annual debt service payments. There has never been a need for the City to contribute funds toward this obligation,

6) Reservation of Debt Capacity In 2012 the City agreed to reserve four million in debt capacity as part of the debt issuance for the Greater Wenatchee Regional Events Center Public Facilities District (District). See Note 12.A. for further discussion of the City's relationship with the District. The City may have to loan the District funds up to \$200,000 per year until 2031. The \$4,000,000 debt capacity reservation is the value of the \$200,000 for twenty years. As of the date of this financial report the City has not needed to loan funds to the District.

7) Local Revitalization Financing commitments – In 2009 the State Legislature approved Second Substitute Senate Bill 5045 (2SSB 5045) creating a funding source (Local Revitalization Financing (LRF)) for local governments to improve blighted areas within their jurisdiction. The amount and timing of the funding depended on the increased sales tax revenues to the State from the City. The City of Wenatchee's district application to develop the waterfront was approved September 2009 and funds became available September 2013. These funds are currently being used to repay the costs to develop the Pybus Market which opened 2013 and restricted to projects within the LRF District.

- Pybus Charitable Foundation granted the City an easement around the Pybus Public Market. 75% of LRF monthly revenues are paying for the \$400,000 easement. The Foundation should be paid in full prior to December 31, 2014. The asset and outstanding liability are reflected in the City financial statements.
- Port of Chelan County – Pybus Public Market plaza agreement is to develop an area for the farmer's market at the Pybus Public Market. The City will reimburse the Port up to \$300,000. Final costs have not been presented to the City to determine the reimbursement amount. The repayment is based on 75% of

the LRF revenues and will begin after the Pybus Charitable Foundation is paid. The Port retains title to this property.

- Port of Chelan County – Pybus Public Market is to construct the Pybus Public Market. The City will reimburse the Port up to \$1,350,000. Final costs have not been presented to the City to determine the reimbursement amount. The repayment is based on 75% of LRF revenues and will begin after payment of the plaza is complete. The Port retains title to this property.
- Chelan County Public Utility District paid for the construction of a street connecting the waterfront to Worthen St. The payment of this debt will be from 25% of the LRF revenues. The asset and the outstanding liability have been recorded in the City financial statements. The final payment should be January 2015.
- City of Wenatchee Sewer Construction funds – This project is to construct access stairs along the water front park to the Pybus Public Market. The maximum loan amount is \$300,000 and will be repaid from 25% of the LRF revenues on or before January 2018. Construction started in 2014; no funds were drawn in 2013.
- City of Wenatchee Cemetery Endowment Fund – This loan provides funding for environmental studies needed to prepare the City's Worthen Street property for sale. The maximum loan amount is \$300,000; \$44,453 was drawn in 2013. The loan will be repaid with 25% of the LRF revenues on or before January 2018.

As a part of the bond issuance process, for each bond issued since 1997 the City has met with representatives of Moody's and Standard and Poor's in order to make rating presentations and ultimately receive a rating. These ratings are periodically reviewed and updated by each rating agency. A summary of the ratings the City currently carries on each of the bond issue types (UTGO, LTGO and Revenue) at December 31, 2013 follows:

<u>Bond Type</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
Revenue Bonds	Baa1	AA
UTGO Bonds	Ba1	BBB
LTGO Bonds	B1	BBB



The following table depicts debt outstanding as of December 31, 2013:

Item	Interest		Authorized	Outstanding			Outstanding
	Rates	Maturity		1/1/2013	Additions	Reductions	
<b>General Obligation Bonds:</b>							
1993 L.T.G.O.	3.25-5.75%	12/1/2008	800,000	5,000	0	5,000	0
1998 L.T.G.O.	3.85-5.05%	12/1/2014	4,085,000	690,000	0	690,000	0
2007 L.T.G.O.	4.00-4.30%	12/1/2027	4,045,000	3,245,000	0	185,000	3,060,000
2007 L.T.G.O.	4.15%	12/1/2021	2,560,000	1,810,000	0	165,000	1,645,000
2011 L.T.G.O.	92% of prime	8/1/2014	2,400,000	2,400,000	0	2,400,000	0
2012 Chelan Co PUD	5.28%	1/15/2020	84,731	84,731	10,013	0	94,744
2001 U.T.G.O.	2.10-4.90%	12/1/2021	4,800,000	2,630,000	0	2,630,000	0
2013 U.T.G.O.	1.40-3.60%	12/1/2021	2,649,850	0	2,649,850	282,213	2,367,637
2013 L.T.G.O	1.75-5.00%	12/1/2022	3,109,850	0	3,109,850	344,844	2,765,006
2013 LRF Pybus Foundation	0.00%	12/31/2014	400,000	0	400,000	137,158	262,842
<b>Total General Obligation Bonds</b>			<b>\$ 24,934,431</b>	<b>\$ 10,864,731</b>	<b>\$ 6,169,713</b>	<b>\$ 6,839,215</b>	<b>\$ 10,195,229</b>
<b>Revenue Bonds and Loans:</b>							
2007 SRF Loan	1.50%	7/30/2026	7,391,665	5,534,277	0	357,950	5,176,327
2007 Water/Sewer	4.00-4.30%	12/1/2027	5,225,000	4,285,000	0	215,000	4,070,000
2011 Water/Sewer	3.72%	12/1/2030	15,078,100	13,755,403	0	716,220	13,039,183
2011 Storm Drain	3.72%	12/1/2030	3,626,900	3,529,597	0	183,780	3,345,817
2011 PW Trust Fund Loan	0.50%	6/1/2031	765,000	58,186	706,814	3,062	761,938
2011 PW Trust Fund Loan	0.50%	6/1/2031	1,870,000	1,870,000	0	98,421	1,771,579
<b>Total Revenue Bonds</b>			<b>\$ 33,956,665</b>	<b>\$ 29,032,463</b>	<b>\$ 706,814</b>	<b>\$ 1,574,433</b>	<b>\$ 28,164,844</b>
<b>LID Bonds</b>							
324	4.22%	6/1/2016	103,711	3,711	0	3,711	0
Riverside Drive	5.56%	10/1/2031	2,738,629	2,203,138	0	925,565	1,277,573
2010 Poplar LID	3.88%	6/1/2021	96,696	92,025	0	18,199	73,826
<b>Total LID Bonds</b>			<b>\$ 2,939,036</b>	<b>\$ 2,298,874</b>	<b>\$ 0</b>	<b>\$ 947,475</b>	<b>\$ 1,351,399</b>
<b>Employee Leave Benefit Obligations (Compensated Absences):</b>							
Governmental Funds (governmental activities)				\$ 1,486,227	\$ 77,736	\$ 0	\$ 1,563,964
Internal Service Funds (governmental activities)				118,755	15,008	0	133,763
Enterprise Funds (business-type activities)				278,694	0	24,462	254,231
<b>Total Employee Leave Benefits</b>				<b>\$ 1,883,676</b>	<b>\$ 92,744</b>	<b>\$ 24,462</b>	<b>\$ 1,951,958</b>

Annual debt service requirements to maturity for governmental activity bonds are as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2014	1,311,405	280,398	80,204	74,346
2015	1,029,482	252,216	80,204	69,916
2016-2020	5,104,452	1,045,009	401,021	284,324
2021-2025	2,309,890	285,157	364,111	177,986
2026-2031	440,000	28,595	425,858	82,872
	<b>\$ 10,195,229</b>	<b>\$ 1,891,375</b>	<b>\$ 1,351,398</b>	<b>\$ 689,445</b>

Annual debt service requirements to maturity for business-type activity bonds are as follows:

Year Ending December 31	Revenue Bonds		State Revolving Fund Loan		Public Works Trust Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	1,140,000	814,422	363,357	76,526	140,751	10,654
2015	1,170,000	787,222	368,845	71,038	140,751	11,964
2016-2020	6,000,000	3,372,409	1,929,489	269,926	703,754	49,263
2021-2025	6,240,000	2,173,313	2,079,668	119,747	703,754	31,669
2026-2031	5,905,000	802,999	434,968	4,915	844,505	14,779
	<u>\$ 20,455,000</u>	<u>\$ 7,950,364</u>	<u>\$ 5,176,327</u>	<u>\$ 542,152</u>	<u>\$ 2,533,516</u>	<u>\$ 118,328</u>

### Changes in Long-Term Liabilities

During the year ended December 31, 2013, the following changes in long-term liabilities occurred:

	Outstanding 1/1/2013	Additions	Reductions	Outstanding 12/31/2013	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
U.T.G.O. bonds	2,630,000	2,649,850	2,912,213	2,367,637	292,888
L.T.G.O. bonds	8,234,731	3,519,863	3,927,002	7,827,592	1,018,517
Special assessment debt	2,298,874	0	947,475	1,351,399	0
Total bonds payable	13,163,605	6,169,713	7,786,690	11,546,628	1,311,405
Net OPEB obligation	1,418,254	474,921	0	1,893,175	0
Compensated absences	1,604,982	92,744	0	1,697,726	0
Government activity long-term debt	16,186,841	6,737,378	7,786,690	15,137,529	1,311,405
<b>Business-Type Activities</b>					
Bonds and Loans Payable					
Revenue bonds	21,570,000	0	1,115,000	20,455,000	1,140,000
SRF Loan	5,534,277	0	357,950	5,176,327	363,357
PWTF Loans	1,928,186	706,814	101,483	2,533,517	140,751
Total bonds and loans payable	29,032,463	706,814	1,574,433	28,164,844	1,644,108
Compensated absences	278,693	0	24,462	254,231	0
Business-type activity long-term debt	29,311,157	706,814	1,598,895	28,419,076	1,644,108
Total Governmental and Business-Type	45,497,997	7,444,192	9,385,585	43,556,604	2,955,513

Statement of Net Assets	Gov	Bus	Total
<b>Noncurrent Liabilities</b>			
Due within one year	1,270,318	1,140,000	2,410,318
Due in more than one year	10,181,466	19,315,000	29,496,466
Due to other govts-current	41,087	501,868	542,955
Due to other govts-noncurrent	53,657	7,207,975	7,261,632
Net OPEB obligation	1,893,175	0	1,893,175
Compensated absences	1,697,726	254,231	1,951,957
	<u>15,137,429</u>	<u>28,419,074</u>	<u>43,556,503</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$133,763 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

#### Public Works Trust Fund Loans

The city entered into a construction loan with the Department of Commerce Public Works Board in 2012:

- Squilchuck Lift Station Replacement: maximum loan amount \$765,000, \$135,000 matching requirement, construction must be completed within 60 months of the agreement signing which was October 31, 2011. The project was completed in 2013 and an additional 706,814 was drawn on the loan.

#### General Obligation Debt

- The City entered into an agreement with Chelan County PUD to finance an additional connection to the waterfront. An additional \$10,013 was drawn on the loan in 2013 and the project is expected to be completed in 2014. This loan will be repaid with 25% of the Local Revitalization funds (LRF) received from the State. This is a 7 year loan with principal payments beginning 2014.
- The City refinanced and combined the outstanding balances of the 1998 LTGO Bonds and the 2011 LTGO Bonds into the 2013 LTGO. The 2013 LTGO is a private placement and extends the term to 2022.
- The City refinanced the 2001 UTGO in a private placement reducing interest costs.
- The City entered into an agreement with the Pybus Charitable Foundation to purchase an easement at the Pybus Public Market. This is a no interest loan and will be repaid with 75% of the Local Revitalization Financing funds. The first payment began June 2013 and is expected to be paid in full prior to December 31, 2014.

#### Debt Limit Capacities for General Obligation Bonds

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the City:

- A total of 2.5% for General Purpose allocated between
  - Up to 1.5% without a public vote (councilmanic bonds).
  - Up to 1.0% with a public vote.
- A total of 2.5% for utility purposes with a public vote.
- A total of 2.5% for open space, park and capital facilities with a public vote.

At December 31, 2013, the debt limits for the City were as follows:

	2.5% General Purpose		With a Public Vote		Total
	Without a Public Vote	With a Public Vote	Utility Purpose	Open Space, Park, and Capital Facilities	
	1.50%	1.00%	2.50%	2.50%	
Legal Limit*	33,141,280	22,094,187	55,235,467	55,235,467	165,706,401
Outstanding Indebtedness	(7,827,592)	(2,367,637)	0	0	(10,195,229)
Loan Guarantees	(3,960,000)				(3,960,000)
Margin Available	<u>21,353,688</u>	<u>19,726,550</u>	<u>55,235,467</u>	<u>55,235,467</u>	<u>151,551,172</u>
* Based upon the Chelan County Assessors 2012 assessment of property values for 2013 property taxes					\$2,209,418,665

#### **NOTE 11. LEASES**

##### Operating Leases

The City leases equipment and property under noncancelable operating leases. The total cost for such leases was \$82,475 for the year ended December 31, 2013 including \$46,554 for equipment and \$35,921 for property. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Equipment	Property	Total
2014	39,556	54,655	94,211
2015	35,651	57,277	92,928
2016	28,572	4,679	33,251
2017	27,323	0	27,323
2018-2021	20,786		20,786

#### Capital Leases

The City has no capital leases as of December 31, 2013.

#### **NOTE 12. CONTINGENCIES AND LITIGATIONS**

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and self-insurance reserves, except as provided below, are adequate to pay all known or pending claims.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

- A. In November 2008 the Greater Wenatchee Regional Events Center Public Facilities District (the "District") referenced in Note 1.A. of this report, issued its Limited Sales Tax Bond Anticipation Notes, Series 2008 in the principal amount of \$5,135,000 (the "Sales Tax Notes") and its Revenue and Special Tax Bond Anticipation Notes, Series 2008A and 2008B (Taxable) in the principal amount of \$36,635,000 (the "Revenue Notes" and collectively with the Sales Tax Notes, the "BANs"), to purchase an event center facility in the latter part of 2008. The BANs matured on December 1, 2011. Prior to the issuance of the BANs the City entered into a contingent loan agreement (the "CLA") with the District that committed the City to lend the District money for the purpose of ensuring the payment of interest on the Revenue Notes.

The District did not generate revenues sufficient to pay interest on the Revenue Notes and the City lent money to the District pursuant to the CLA from 2009 through 2011 totaling \$3,584,988. In an attempt to refinance the BANs prior to their maturity, the District presented the City with a new proposed contingent loan agreement in June 2011 (the "2011 CLA"). On July 11, 2011, the City commenced a bond validation proceeding to confirm the validity of the 2011 CLA. The matter was heard by Judge Bridges in the Chelan County Superior Court. On September 8, 2011, Judge Bridges ruled, in part, that the City was without the power and authority to enter into the 2011 CLA, as such agreement would cause the City to exceed its constitutional and statutory debt capacity. The District appealed Judge Bridges' decision to the Washington State Supreme Court on October 11, 2011, which heard oral argument on January 10, 2012. On October 12, 2012, the Washington State Supreme Court held that the City's obligation under the 2011 CLA is essentially a guaranty and therefore would create indebtedness within the meaning of the Washington constitution. *In re Bond Issuance of Greater Wenatchee Regional Events Center* (Wash. Sup. Ct. October 25, 2012). The Court stated that the City could enter into the 2011 CLA if approved by a vote of the people, but not without a vote, as the City's obligation under the 2011 CLA would cause it to exceed its non-voted debt capacity.

Based on such Court actions, the City was legally unable to enter into the 2011 CLA. As a result, the District was unable to issue bonds to redeem the BANs December 2011. The District and the City took the following actions to general revenues to refinance the District's BAN's:

1. Pursuant to the authority granted by the State legislation, the City adopted an ordinance on March 1, 2012, imposing a sales and use tax at the rate of 0.2% (the "City Tax").
2. The District Board approved a resolution to impose the District 0.1% Tax on May 3, 2012.

On September 28, 2012, the District issued its Limited Sales Tax Bonds, Series 2012A and Series 2012B (Taxable) (the "2012 Bonds") to redeem the BANs, to fund a debt service reserve fund, to fund capitalized interest, to partially fund an operating reserve account and to pay costs of issuance for the 2012 Bonds. The 2012 Bonds are secured by and payable solely from revenues from the District 0.1% Tax, the City Tax and a tax on each retail sale within the boundaries of the District of 0.033% of the selling price, which had been imposed by the District beginning July 5, 2006 (the "Sales Tax Credit"). All tax revenues are deposited directly into an escrow account and all debt service payments will be made from such account.

In connection with the issuance of the 2012 Bonds, the District and the City entered into an Amended and Restated Third Amendment to Interlocal Agreement for the Greater Wenatchee Regional Events Center Public Facilities District, which, among other things, eliminated the City's obligation to provide security for the District's bonds and provided that if the 0.1% District Tax and the City Tax are not enough to cover debt service on the 2012 Bonds, and the District has to use Sales Tax Credit revenue to pay debt service, then the City has committed to loan the District up to \$200,000 per year, until 2031. These loans are zero interest loans. The City reserved \$4 million in debt capacity for this potential obligation to the District. Sales tax revenues have been sufficient to pay debt service; therefore, the District has not drawn on the loan. The City does not have any obligation to holders of the 2012 Bonds or to pay costs of the maintenance and operation of the District's regional events center.

- B. The City received a letter dated December 7, 2011 from the Division of Enforcement of the United States Securities and Exchange Commission initiating an informal investigation into bond anticipation notes issued by the Greater Wenatchee Regional Events Center Public Facilities District in 2008. The City cooperated with the SEC and provided the requested documents in the spring of 2012. The SEC investigation has been completed and no action was taken against the City.
- C. *City of Wenatchee v. Chelan County Public Utility District No. 1*, Court of Appeals No. 311953. The Chelan County Public Utility District No. 1 ("the District") sought a declaratory judgment challenging the business and occupation tax levied by the City of Wenatchee ("the City") on the sale of domestic water the District provides to its paying customers located within the City. The District asserted that the City did not have express statutory authority to levy the tax on the District's water revenues and that the governmental immunity doctrine is irrelevant to the determination of whether a municipality must have express legislative authority to tax another municipality. The City asserted that by virtue of selling domestic water to residents of the City the District is acting in a proprietary capacity and is therefore subject to the business and occupation tax as is any other private business. The trial court ruled in favor of the District and ordered the City to cease charging the District taxes on the District's water system. The case is currently on appeal in the Washington State Court of Appeals, Division III. A date for oral argument has not been set at this time. No monetary damages are sought by the District in the litigation. The City has received 97 claims for refunds totaling \$37,530 from the District's customers. The City has denied each of the claims for refunds asserting that the City believes it has reasonable defenses to the claims.

### **NOTE 13. INTERFUND BALANCES AND TRANSFERS**

During the course of normal operations the City has numerous transactions between funds. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Other types of interfund activity included loans and transfers.

#### **Interfund Balances**

Due to/from other funds represent receivables and payables between funds for goods issued, work performed or services rendered for the benefit of another fund within the City. This category also includes City Council approved temporary lending of cash from the General Fund to other funds in order to correct negative cash balances that are typically a result of the funds incurring grant related expenditures that are subsequently recovered through reimbursement requests. Due to/from balances at December 31, 2013 are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Arterial Street Fund	324,066
General Fund	CDBG Entitlement	43,431
General Fund	UTGO Bonds	8,108
General Fund	Gov't Fund - Cap Proj	8,146
General Fund	Pybus Market	4,389
General Fund	Water/Sewer Fund	30,000
Storm Drain Fund	Decant Facility Fund	9,207
Total		\$ 427,347

Interfund receivables and payables represent loans between funds that have been approved by a City Council resolution and are supported with a specific repayment plan. At December 31, 2013 the loans outstanding are as follows:

Interfund Receivable/Payable			
Receivable Fund	Payable Fund	Total	To be Repaid in 2014
Insurance Fund	General Fund	107,180	107,180
Cemetery Endowment	General Fund	311,841	61,310
Cemetery Endowment	Local Revitalization Fund	44,453	0
Total		\$ 463,474	\$ 168,490

### Interfund Transfers

Transfers represent the outright movement of assets from one fund to another without a requirement for repayment. Transfers are used to

- Move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.
- Move unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorization, including amounts provided as subsidies or matching funds for various grant programs.
- Move unrestricted fund revenues to support the operations of other funds.

During 2013 the following transfers in/out occurred:

	Transfer To:										
	Major Funds						Other Funds				Total
	Governmental			Business Type			Nonmajor Governmental	Nonmajor Business	Debt Service	Internal Service	
	General	Street	Arterial Street	Water/ Sewer	Storm Drain	Regional Water					
Transfer From:											
Major Funds											
Governmental											
General	0	0	0	0	0	0	16,145	91,000	259,725	0	366,870
Street	0	0	0	0	0	0	0	0	0	0	0
Arterial street	0	0	0	0	0	0	0	0	0	0	0
Business Type											
Water/Sewer	201,900	0	0	0	0	0	0	0	0	88,514	290,414
Storm drain	23,400	0	0	0	0	0	0	42,393	0	0	65,793
Regional water	0	0	0	0	0	0	0	0	0	0	0
Nonmajor governmental	0	0	0	0	0	0	269,465	0	848,215	0	1,117,680
Nonmajor business type	0	0	0	0	0	0	0	0	0	0	0
Internal service	0	0	0	0	0	0	0	0	0	0	0
Permanent	0	0	0	0	0	0	0	0	0	0	0
Pension trust fund	0	0	0	0	0	0	0	0	0	0	0
Total	225,300	0	0	0	0	0	285,610	133,393	1,107,940	88,514	1,840,757

Significant transfers that occurred during 2013 include:

- An ongoing transfer from the Convention Center Fund (a nonmajor governmental fund) to the Councilmanic Bond Fund (a debt service fund) that will in-part help to make debt service payments on limited tax general obligation bonds. The transfer in 2013 amounted to \$306,110.



- An ongoing transfer from the Real Estate Excise Tax Fund (a nonmajor governmental fund) to the Councilmanic Bond Fund (a debt service fund) that will in-part help to make debt service payments on limited tax general obligation bonds. The transfer in 2013 amounted to \$404,947.
- An ongoing transfer from the Hotel/Motel Tax-Capital Fund (a nonmajor governmental fund) to the Convention Center Fund (a nonmajor governmental fund) intended to partially offset the cost of annual bond payments. In 2013 this transfer amounted to \$207,101.
- An ongoing transfer from the Water/Sewer Fund (a major business type fund) to the General Fund in the amount of \$201,900 that is a payment-in-lieu of tax (PILOT).
- An ongoing transfer from the Storm Drain Fund (a major business type fund) to the General Fund in the amount of \$23,400 that is a payment-in-lieu of tax (PILOT).
- An ongoing transfer from the General Fund to the Cemetery Operations Fund (a non-major business type fund) in the amount of \$91,000 to cover operating costs.
- An ongoing transfer from the General Fund to the Councilmanic Bond Fund (a debt service fund) that will in-part help to make debt service payment on limited tax general obligation debt. The 2013 transfer totaled \$259,725.
- A transfer of \$ 137,158 from the Local Revitalization Financing Fund (a nonmajor governmental fund) to the Councilmanic Bond Fund (a nonmajor debt service fund) to pay debt service on the Pybus Public Market.

#### **NOTE 14. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

##### Plan Description

In addition to pension benefits discussed in NOTE 7, the City of Wenatchee administers a single employer defined benefit plan covering postretirement healthcare and long-term care in accordance with State statute to retired police and fire employees who are eligible under the Firemen's Pension Fund and Law Enforcement Officers and Firefighters Plan 1 (LEOFF 1). The activity of the plan is reported in the General Fund. LEOFF retirement benefit provisions are established in State statute and may be amended only by the State Legislature.

##### Membership

LEOFF 1 employees (those police officers and firefighters hired prior to October 1, 1977) become eligible for these benefits at the point they retire from City employment. As of December 31, 2013, the number of individuals eligible for this benefit is as follows:

	Active	Retired	Total	Medicare Eligible
Fire	1	18	19	15
Police	0	17	17	10
	1	35	36	25

##### Funding Policy

The City reimburses 100% of the amount of validated claims for medical and hospitalization costs incurred by eligible retirees. We satisfy retiree medical claims through a three tier approach:

1. The City pays the Part B premium for those 25 individuals that are Medicare eligible, which results in Medicare being the primary payer for related medical claims.
2. The City pays for medical insurance coverage for all 36 individuals through the Association of Washington Cities Employee Benefits Trust (AWC), which is a fully insured indemnity plan that offers specific coverages for particular maladies. If the individual is Medicare eligible, the AWC coverage is considered the secondary payer, if they are not Medicare eligible, AWC is considered primary.
3. Finally, the City reimburses the retiree for those medical claims that are not covered by either Medicare or AWC.

Under the Revised Code of Washington, costs related to medical, hospital and nursing care are also covered for all LEOFF 1 retirees as long as a disability exists.

Employer contributions are financed on a pay-as-you-go basis and expenditures for postretirement health and long-term care in 2013 were \$540,568.

#### Annual OPEB Costs and Net OPEB Obligation

The City first had an actuarial valuation performed for the plans as of January 1, 2008 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC). The third actuarial valuation was performed for the plans as of December 31, 2013. The resulting OPEB calculation is depicted in the table below:

Amortization of Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,005,819
Interest to December 31, 2013	40,233
Annual Required Contribution (ARC) at December 31, 2013	1,046,052
Interest on Net OPEB Obligation	56,730
Adjustment to Annual Required Contribution (ARC)	87,293
Annual OPEB Cost	1,015,489
Employer Contributions	540,568
Change in Net OPEB Obligation	474,921
Net OPEB Obligation at January 1, 2013	1,418,254
Net OPEB Obligation at December 31, 2013	\$ 1,893,175

#### Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 787,141	\$ 589,397	74.88%	\$ 429,212
December 31, 2010	933,936	631,473	67.61%	731,675
December 31, 2011	927,720	629,047	67.81%	1,030,348
December 31, 2012	1,025,279	637,373	62.17%	1,418,254
December 31, 2013	1,015,489	540,568	53.23%	1,893,175

#### Funding Status and Funding Progress

The funded status of the plan as of December 31, 2012, was as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ 0	\$ 12,146	\$ 12,146	0%	\$ n/a	n/a%
1/1/2010	\$ 0	\$ 15,689	\$ 15,689	0%	\$ n/a	n/a%
1/1/2012	\$ 0	\$ 16,719	\$ 16,719	0%	\$ n/a	n/a%

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, service retirement disability, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in Part 6 of this annual report document presents the results of OPEB valuations as of January 1, 2012 and looking forward, the schedule of funding progress will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



### Actuarial Assumptions

The actuarial assumptions used in the January 1, 2012 OPEB actuarial valuations include techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Assumptions were as follow:

Valuation Date	January 1, 2012	
Actuarial cost method	Entry Age Normal	
Amortization method	30-year, closed as of January 1, 2008	
Remaining amortization period as of 12/31/2009	26 years	
Actuarial assumptions		
Investment rate of return	4.0%	
Long-term care inflation rate	4.5%	
Medical trend	<u>Year</u>	<u>Rate</u>
	2012	7.0%
	2013	7.5%
	2014	6.2%
	2015	5.8%
	2016-2023	5.7%
	2024-2034	5.6%
Long-Term Care Inflation Rate	4.8%	

### **NOTE 15. CHANGE IN ACCOUNTING METHOD**

Governmental Accounting Standards Board issued Statement # 65 which changed the reporting of long term debt issue costs. Prior guidance required that debt issue costs be amortized over the life of the debt; GASB #65 requires debt issue costs to be expended in the period the debt is issued. This change impacts the Water/Sewer and Storm Drain Funds on the Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds and the Governmental Funds on the Government Wide Financial Statements.

### **NOTE 16. PRIOR PERIOD CORRECTION**

The prior period correction for the Regional Water Fund is correcting the amortization of water rights for prior periods. GASB 51 stipulates that intangible assets such as water rights should not be amortized.

### **NOTE 17. SUBSEQUENT EVENTS**

The Washington State Court of Appeals Division III issued a decision on the City of Wenatchee v. Chelan County PUD No 1 (PUD), May 20, 2014, determining that cities have the right to impose utility taxes on other municipal entities when they are conducting proprietary activities such as providing water or sewer service to customers. The PUD first filed suit against the city, May 2012, stating that one municipality can't tax another municipality without express authority. The trial court ruled in favor of the PUD and the city appealed. It is unknown if the PUD will appeal the Court of Appeals decision.

The financial impact of trial court's ruling was a decrease of approximately \$225,000 in annual revenues. In the event the Court of Appeals upheld the trial court's decision, the city also reserved \$160,000 of the fund balance as a potential refund to the PUD for taxes received between the notice of intent to file suit and the actual date of the trial court's decision.

**Required Supplementary Information**  
**Firemen's Pension Fund**  
**GASB Statement No. 25 and 27**  
**Schedule of Funding Progress (in thousands)**  
**Six year trend**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	3,460	1,854	(1,606)	187%	0	n/a
1/1/2010	2,990	2,019	(971)	148%	0	n/a
1/1/2012	2,127	1,877	(250)	113%	0	n/a

\* For each two-year period reported the actual actuarial valuation date was 6/30/1993 and the AAL was established that same date. The actuarial value of assets are reported at fair value at that time.

**Required Supplementary Information**  
**Firemen's Pension Fund**  
**GASB Statement No. 25**  
**Schedule of Employer Contributions**  
**Six year trend**

Fiscal Year Ending	Actual * Employer Contribution	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contributions (ARC) **	Percentage of ARC Contributed
12/31/2008	(7,675)	28,371	20,696	(128,899)	NA
12/31/2009	(358,060)	27,054	(331,006)	(128,899)	NA
12/31/2010	(304,000)	27,960	(276,040)	(76,670)	NA
12/31/2011	(320,350)	26,554	(293,796)	(76,669)	NA
12/31/2012	(13,683)	25,282	11,599	(21,481)	NA
12/31/2013	0	26,147	26,147	(21,481)	

\* Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical, long-term care and administrative expenses.

\*\* The ARC reported for the years 2008-2011 is based upon an actuarial study prepared 1/1/2012. In the future actuarial studies will be performed on a biennial schedule. The next actuarial valuation is scheduled for January 1, 2014.

### **Firemen's Pension Fund Actuarial Assumptions**

Valuation Date	January 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	20-year, closed as of January 1, 2008
Remaining amortization period as of 12/31/2010	16 year
Asset valuation method	Fair market value
Actuarial assumptions	
Investment rate of return	4.0%
Projected salary increases	3.75%
Inflation	2.75%
Cost-of-living adjustments	Varies*

\* Under the Firemen's Pension funds requirement of State law, most adjustments are based on the change in salary for the rank of the members held at retirement based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

**Required Supplementary Information**  
**Other Post Employment Benefits (OPEB)**  
**GASB Statement No. 43 & 45**  
**Schedule of Funding Progress (in thousands)**  
**Three year trend \***

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ 0	\$ 12,146	\$ 12,146	0%	\$ n/a	n/a%
1/1/2010	\$ 0	\$ 15,689	\$ 15,689	0%	\$ n/a	n/a%
1/1/2012	\$ 0	\$ 16,719	\$ 16,719	0%	\$ n/a	n/a%

\* January 1, 2008 was the first year of OPEB implementation and corresponded with the first actuarial valuation of OPEB. Actuarial studies will be conducted biennially with the next scheduled to be as of 1/1/2014. In future years, annual funding progress will be reported.

**OPEB Actuarial Assumptions**

Valuation Date	January 1, 2012	
Actuarial cost method	Entry Age Normal	
Amortization method	30-year, closed as of January 1, 2008	
Remaining amortization period as of 12/31/2009	26 years	
Actuarial assumptions		
Investment rate of return	4.0%	
Long-term care inflation rate	4.5%	
Medical trend	<u>Year</u>	<u>Rate</u>
	2012	7.0%
	2013	7.5%
	2014	6.2%
	2015	5.8%
	2016-2023	5.7%
	2024-2034	5.6%
Long-Term Care Inflation Rate	4.8%	

**CITY OF WENATCHEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2013

Federal Assistance Received Directly From A Federal Agency Or Indirectly  
Through A State Agency Or Other Local Government

Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Identification Number	Expenditures			Foot Note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
US Dept of Justice (DOJ)	Bullet Proof Vest	16.592			2,263		2
	JAG	16.738	2011-DJ-BX-2803		184		2
	<b>ARRA</b> JAG	16.804	2009-SB-B9-2654		13,047		2,5
	SCAAP	16.606	2009-AP-BX-0253		19,024	34,518	2
US DOT / Wa St DOT		20.205	STPUS-5825(005)	11,492			
		20.205	STPUS-5863(001)	1,113,453			
	Federal Transportation Planning & Construction	20.205	STPUS-5825(007)	22,441			
		20.205	HSIP-0285(018)	59,155			
		20.205	HSIP-0000S(312)	98,964			
		20.205	STPUS-5801(004)	11,430		1,316,935	2,4b
US DOT / Wa State Traffic Safety Commission	Impaired Driving	20.601		4,619			
	Night Time Seat Belt Enforcement	20.602		554			
	Occupant Protection Incentives	20.613		1,927			2
	State & Highway	20.600	14ST-03	42,895		49,995	2
US DOT / Wa Assoc of Sheriffs & Police Chiefs	State & Community Highway Safety	20.600		1,000		1,000	2
USDA Forest Service / WA State Dept of Natural Resources	Urban and Community Forestry Assistance	10 664	IAA 12-238/K244-10-DG-010	5,865		5,865	2
Dept of Interior / WA State Dept of Archaeology & Historic Preservation	Archaeology & Historic Preservation	15.904	FY12-61012-013	3,000		3,000	2
Dept of Housing & Urban Development	CPD, EDI, Special Projects	14.251	B-10SP-WA-0157		81,615		2,4, 6b
	Community Development Block Grant	14.218			211,383	292,998	2,3, 4a, 6a
Total Federal Awards Expended				<u>1,376,795</u>	<u>327,516</u>	<u>1,704,310</u>	

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement

# **CITY OF WENATCHEE**

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

December 31, 2013

### **Note 1 – Basis of Accounting**

This schedule is prepared on the same basis of accounting as the city's financial statements. The city uses the modified accrual basis of accounting.

### **Note 2 – Program Costs**

The amounts shown as current year expenditures represent only the grant portion of the program costs. Entire program costs, including the city's portion, may be more than shown.

### **Note 3 – Revolving Loan – Program Income**

The City has a revolving loan program for low income housing renovation. Under this federal program, repayments to the city are considered program revenue (income) and loans of such funds to eligible recipients are considered expenditures. The amount of the loan funds disbursed to program participants for the year was \$ 0.00 and is presented in this schedule. The amount of principal received in loan repayments for the year was \$ 4,594.

### **Note 4 – Indirect Cost Rate**

- a. The amount expended includes \$ 36,196 claimed as an indirect cost recovery using an approved indirect cost rate of 1.36 percent.
- b. The amount expended includes \$74,574 claimed as an indirect cost recovery using an approved indirect cost rate of 1.05 percent.

### **Note 5 – American Recovery and Reinvestment Act (ARRA) of 2009**

Expenditures for this program were funded by ARRA.

### **Note 6 – Amounts awarded to subrecipients**

- a. Included in the total amount expended for this program is \$ 33,304 that was passed through to a subrecipient that administered its own program.
- b. Included in the total amount expended for this program is \$81,615 that was passed through to a subrecipient that administered its own program.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>