



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Wenatchee

For the period January 1, 2020 through December 31, 2020

Published February 3, 2022

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

February 3, 2022

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,

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Wenatchee January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Wenatchee are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

City of Wenatchee January 1, 2020 through December 31, 2020

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, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Wenatchee, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 18, 2022.

As discussed in Note 16 to the financial statements, the 2019 financial statements have been restated to correct a misstatement.

As discussed in Note 17 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 17.

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 will report to the management of the City in a separate letter dated January 25, 2022.

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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

January 18, 2022

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Wenatchee January 1, 2020 through December 31, 2020

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, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2020.

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 the Uniform Guidance, 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 the Uniform Guidance. 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 black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

January 18, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Wenatchee January 1, 2020 through December 31, 2020

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, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Wenatchee, as of and for the year ended December 31, 2020, 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.

Opinions

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, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Wenatchee, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis – Correction of Prior Year Misstatement

As discussed in Note 16 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Matters of Emphasis

As discussed in Note 17 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 17. 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 and required supplementary information listed on page 15 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 as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 January 18, 2022 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.



Pat McCarthy, State Auditor

Olympia, WA

January 18, 2022

FINANCIAL SECTION

City of Wenatchee January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net
Position – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2020

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of
the Governmental Funds to the Statement of Activities – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– General Fund – 2020

Statement of Net Position – Proprietary Funds – 2020

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2020

Statement of Cash Flows – Proprietary Funds – 2020

Notes to the Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – 2020

Schedule of Changes in Total Pension Liability and Related Ratios – Firemen's Pension
Fund – 2020

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3,
LEOFF 1, LEOFF 2 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which immediately follows this section.

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.

The government-wide financial statements are comprised of the statement of net position (assets, deferred outflows, liabilities, and deferred inflows) and the statement of activities (revenues and expenses). These statements present the entire financial position of the City. The government-wide financial statements use full accrual accounting, which reports both current and long-term liabilities and assets. The upper section of the statement of activities shows how general government activities do not support themselves based on charges for services. Rather the lower section of this statement shows the tax revenue that is required to support the general government functions. These statements also include the legally separate public facilities district. The City of Wenatchee has limited financial responsibility for the district requiring inclusion of their financial information. Financial information for this component unit is reported separately from the financial information presented for the City.

The fund financial statements are presented immediately following the government-wide financial statements. The City presents two categories of the fund financial statements, 1) governmental, and 2) proprietary. 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.

The governmental fund financial statements are prepared using the modified accrual basis of accounting, which does not include long-term liabilities and assets, focusing on current resources. Therefore a reconciliation is provided alongside the government fund financial statements to bridge the differences between the governmental fund financial statements and the government-wide financial statements. The major differences between the two types of financial statements are due to the capitalization and depreciation of assets, recognition of long-term liabilities, and the inclusion of the internal service fund net position. The City reports its major funds separately on the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. A budgetary comparison statement is also provided for the general fund and each of the major special revenue funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The proprietary fund financial statements are prepared using the same basis of accounting as the government-wide financial statements. The City's proprietary funds include enterprise funds and internal service 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 utilities that are expected to fully recover costs. 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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Wenatchee's pension and OPEB obligations immediately following the notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$204,741,823 at the close of the most recent fiscal year. The largest portion of the City's net position (70%) is comprised of its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any outstanding related debt used to acquire those assets. 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 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 the liabilities.

An additional portion of the City's net position (10%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$40,195,257 is unrestricted and may be used to meet the government's ongoing obligation to its citizens and creditors.

City of Wenatchee's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	53,942,665	52,595,584	30,853,593	29,412,553	84,796,258	82,008,137
Capital assets	124,096,392	118,972,418	75,286,027	77,237,538	199,382,419	196,209,956
Total assets	178,039,057	171,568,001	106,139,620	106,650,091	284,178,677	278,218,092
Deferred Outflows	1,834,981	1,668,071	4,716,065	4,765,144	6,551,046	6,433,215
Liabilities						
Long-term liabilities	43,364,000	41,640,163	37,891,071	39,882,629	81,255,071	81,522,792
Other liabilities	2,448,297	2,845,556	745,359	878,123	3,193,656	3,723,679
Total liabilities	45,812,297	44,485,719	38,636,430	40,760,752	84,448,727	85,246,471
Deferred Inflows	1,218,270	2,480,542	320,902	672,232	1,539,172	3,152,774
Net Position						
Invested in capital assets	99,546,317	93,095,078	44,389,324	44,375,344	143,935,641	137,470,422
Restricted	13,909,778	14,579,070	6,701,147	8,043,099	20,610,925	22,622,169
Unrestricted	19,387,375	18,595,663	20,807,882	17,563,808	40,195,257	36,159,471
Total net position	132,843,470	126,269,810	71,898,353	69,982,251	204,741,823	196,252,061

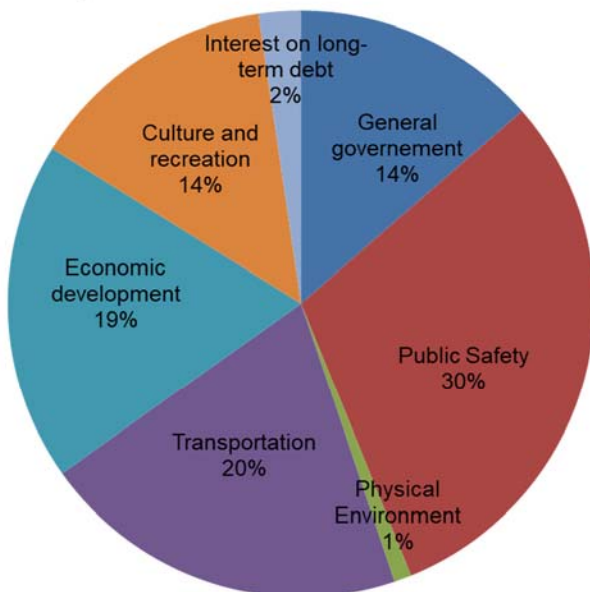
Governmental activities increased the City of Wenatchee's net position by \$6,573,660, accounting for 64% of total growth in the government's net position. The increase in net position is due to the construction and purchase of capital assets at a rate that outpaces depreciation; the sale of several properties; federal grant funds issued for Coronavirus relief, sales tax revenues that ended strong after an economically tumultuous year; and an overall slowing of expenses and projects as the uncertainty of the health pandemic prevented additional spending.

Business-type activities increased City of Wenatchee's net position by \$3,720,832, accounting for 36% of total growth in the government's net position. The increase in net position for business-type activities was driven by the repayment of debt, acquisition of utility infrastructure that outpaces depreciation, and an increase in utility rates to fund future utility projects.

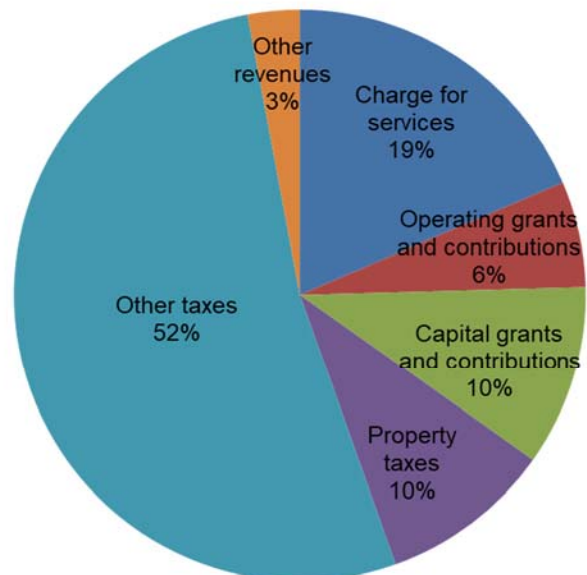
City of Wenatchee's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charge for services	8,669,951	6,821,740	19,286,615	18,371,130	27,956,566	25,192,870
Operating grants and contributions	2,791,524	2,506,192	645,894	61,618	3,437,418	2,567,810
Capital grants and contributions	4,795,845	6,320,268	-	-	4,795,845	6,320,268
General revenues:						
Property taxes	4,538,962	4,035,094	-	-	4,538,962	4,035,094
Other Taxes	24,499,793	24,975,996	-	-	24,499,793	24,975,996
Other revenues	1,369,861	1,532,450	255,196	770,524	1,625,057	2,302,974
Total revenues	46,665,936	46,191,740	20,187,705	19,203,272	66,853,641	65,395,012
Expenses:						
General government	5,440,984	3,982,535	-	-	5,440,984	3,982,535
Public Safety	12,141,935	12,803,590	-	-	12,141,935	12,803,590
Physical Environment	384,178	263,391	-	-	384,178	263,391
Transportation	8,136,143	9,122,452	-	-	8,136,143	9,122,452
Economic development	7,509,959	5,740,245	-	-	7,509,959	5,740,245
Culture and recreation	5,528,432	7,009,706	-	-	5,528,432	7,009,706
Interest on long-term debt	930,945	865,921	-	-	930,945	865,921
Water	-	-	5,312,213	5,272,486	5,312,213	5,272,486
Sewer	-	-	7,545,026	7,538,387	7,545,026	7,538,387
Storm Drain	-	-	2,123,119	2,277,765	2,123,119	2,277,765
Regional Water	-	-	1,084,694	1,099,530	1,084,694	1,099,530
Cemetery	-	-	421,521	522,829	421,521	522,829
Total expenses	40,072,576	39,787,840	16,486,573	16,710,997	56,559,149	56,498,837
Increase in net position before transfers	6,593,360	6,403,900	3,701,132	2,492,275	10,294,492	8,896,175
Transfers	(19,700)	1,114,024	19,700	(1,074,024)	-	40,000
Increase in net position	6,573,660	7,517,924	3,720,832	1,418,251	10,294,492	8,936,175
Net position January 1,	126,269,810	118,751,886	69,982,251	69,829,161	196,252,061	188,581,047
Prior Period Correction	-	-	(1,804,730)	(1,265,161)	(1,804,730)	(1,265,161)
Net position December 31,	132,843,470	126,269,810	71,898,353	69,982,251	204,741,823	196,252,061

Expenses - Governmental Activities



Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The General Fund, Economic Development Capital Projects Fund, and the New City Hall Remodel Fund made up the City's major governmental funds during the most recent fiscal year. Together these three funds account for \$26,652,408 (60%) of total governmental fund assets and \$20,793,628 (59%) of the total governmental fund balance.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$35,478,4717, an increase of \$2,192,635 compared to prior year. Of this figure, \$8,330,828 (23%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either legally required to be maintained intact (\$1,245,811), restricted by external regulation (\$21,427,905), committed by internal regulation (\$3,228,256), or assigned by the City for particular purposes (\$1,245,617).

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 \$15,488,686. Of this, \$12,965,507 is unassigned fund balance, \$995,942 is assigned to Pre-LEOFF and LEOFF 1 mandated health costs, \$84,767 is committed to code enforcement abatement, and \$1,442,470 is restricted for firefighter pensions. As of December 31, 2020, the total General Fund balance represented 57% of total General Fund expenditures and the unassigned fund balance represented 48% of total General Fund expenditures. Due to the health pandemic, Jail and other expenses were less than most years. Although sales tax revenues started slow in 2020, they recovered strong by the end of the year. The General Fund also sold a couple properties. These factors, along with federal Coronavirus relief funds, all helped contribute to an increased fund balance of \$2,800,845

General Fund Balance as a Percentage of Expenditures					
Year	Total Fund Balance	Unassigned Fund Balance	Expenditures and Other Financing Uses	Fund Balance as a % of Expenditure and Other Financing Uses	
				Total	Unassigned
2020	15,488,686	12,965,507	27,029,250	57.30%	47.97%
2019	11,177,532	9,924,976	31,184,743	35.84%	31.83%
2018	13,563,016	12,153,394	24,744,561	54.81%	49.12%
2017	12,059,988	10,471,865	25,284,423	47.70%	41.42%
2016	10,830,572	9,250,136	20,990,684	51.60%	44.07%

The Economic Development Capital Projects fund balance increased by \$1,007,574 during 2020. The increase is due to the sale of property as part of the North Wenatchee Avenue Redevelopment project. This fund still has a negative fund balance because it has borrowed funds until all the North Wenatchee Avenue properties are sold for development.

The New City Hall Remodel fund was created after bonds were issued to purchase and remodel a new City Hall facility. In 2019 the bond proceeds were used to reimburse the initial costs of the new City Hall building and design. In 2020, further project design expenses were incurred that decreased the fund balance by \$559,579. Construction expenses are expected to completely expend the fund balance during 2021 and 2022.

Proprietary funds. The Water Utility fund, 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 four funds accounted for \$105,336,915 (99%) of total enterprise fund assets. These funds also accounted for \$71,216,769 (99%) of total enterprise fund net position.

Unrestricted net position of the Water Utility Fund was \$1,045,626 at the end 2020, an increase of \$87,480. Much of this increase is due to increased water utility rates combined with a slightly delayed capital program.

Unrestricted net position of the Sewer Utility Fund was \$10,770,114 at the end 2020, an increase of \$1,466,612. Much of this increase is due to increased sewer utility rates combined with paying down debt and utilizing restricted cash to fund capital projects.

Unrestricted net position of the Storm Drain Utility was \$3,770,044 at the end of 2020, an increase of \$407,211. This increase is due to paying down long-term debt and lower expenses during the health pandemic.

Unrestricted net position of the Regional Water Fund was \$4,986,559 at the end of 2020, an increase of \$1,220,640. Much of this increase is due to utility rates designed to intentionally grow the net position to finance future capital.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures are generally less than final budgeted expenditures. The typical reason for this is that employee turnover results in unfilled positions that cause budget authority to remain unspent. In addition, the City is legally required to operate within its given budget and typically spends its budget conservatively. During the health pandemic of 2020, cost related to jail housing were greatly decreased as the number of inmates processed decreased. Although the health pandemic brought some additional expenses, it also kept the City from spending on travel and focused on basic needs. Actual revenues were less than the final budget due to an economy slowed by the health pandemic. This impacted taxes, court fines, and building permit revenues.

Through the course of the year General Fund appropriations were amended from \$29,926,050 to \$31,128,560 for a total increase of \$1,202,510. Major increases approved include \$697,410 for a transfer of property sale proceeds to the Facility Maintenance fund, \$500,000 for small business grants that were reimbursed from federal Coronavirus relief funds, \$365,000 related to grant funded US Census work. In addition, there were several minor budget adjustments for one-time purchases and tasks. In other areas, the budget was reduced to remove park contributions that were incurred in a prior year.

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, 2020, is \$199,382,419 (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility systems, improvements, machinery and equipment and streets. Major capital asset events during the current fiscal year included the following:

- Remodel of the old City Hall building at a total cost of \$2,658,816 to be repaid through a lease agreement with the Social Security Administration.
- Acquisition of \$1,760,000 property for future construction of Kenzie's Landing park, financed with grants and donations.
- Sale of three North Wenatchee redevelopment properties, total proceeds of \$2,218,896.
- Acquisition of water rights by the General fund for future sale to Regional Water. Valued at \$1,092,000.
- Skyline Reservoir project for \$1,004,519, financed with Water Utility and Storm Drain Utility rates.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	26,265,452	26,163,430	2,756,360	2,809,462	29,021,812	28,972,892
Intangible Assets	-	-	2,527,353	2,704,831	2,527,353	2,704,831
Buildings	27,169,617	25,404,595	23,252,878	21,319,242	50,422,495	46,723,837
Improvements other than buildings	7,599,642	3,806,257	757,948	603,562	8,357,590	4,409,819
Machinery and equipment	4,595,059	4,465,498	338,362	405,913	4,933,421	4,871,411
Infrastructure	53,990,870	52,116,312	43,764,379	47,942,556	97,755,249	100,058,868
Construction in progress	4,475,752	7,006,874	1,888,747	1,451,972	6,364,499	8,458,846
Total	<u>124,096,392</u>	<u>118,962,966</u>	<u>75,286,027</u>	<u>77,237,538</u>	<u>199,382,419</u>	<u>196,200,504</u>

Additional information on the City's capital assets can be found in Note 5.

Long-term Debt. At the end of the current fiscal year, the City of Wenatchee had bond and loan related long-term debt of \$55,434,877. Of this amount, \$23,389,720 is comprised of general obligation bonds issued by the City that are backed by the full faith and credit of the government, \$199,819 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, \$26,360,786 represents revenue bonds secured solely by utility revenue sources, \$5,484,552 represents loans from the State of Washington to renovate our wastewater treatment plant other sewer improvements, and to purchase property to extend McKittrick Street. Loans for the wastewater and sewer projects will be repaid solely by utility revenue sources. Loans for extending McKittrick Street will be repaid by proceeds of property sales, but backed by the General fund.

The City's total bond related total long-term debt decreased by \$2,756,729 (6%) during the current fiscal year. The decrease is due to the City's regular debt service payments decreasing the principal balances.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	23,389,720	24,745,759	-	-	23,389,720	24,745,759
Special assessment debt	199,819	203,821	-	-	199,819	203,821
Revenue bonds	-	-	26,360,786	27,761,476	26,360,786	27,761,476
Loans	960,536	927,759	4,524,016	5,087,937	5,484,552	6,015,696
Total	<u>24,550,075</u>	<u>25,877,339</u>	<u>30,884,802</u>	<u>32,849,413</u>	<u>55,434,877</u>	<u>58,726,752</u>

Standard & Poor's assigned AA- bond ratings to all bond issued by the City of Wenatchee as of 12/31/2020 as listed below.

Bond Type	Standard & Poor's
Revenue	AA-
Unlimited Tax General Obligation (UTGO)	AA-
Limited Tax General Obligation (LTGO)	AA-

The City's has approximately \$33.5 million in non-voted debt capacity available as indicated below:

	2.5% General Purpose		With a Public Vote		Total
	Without a Public Vote 1.50%	With a Public Vote 1.00%	Utility Purpose 2.50%	Open Space, Park, and Capital Facilities 2.50%	
Legal Limit*	56,520,215	37,680,143	94,200,358	94,200,358	282,601,074
Outstanding Indebtedness	(20,667,000)	(314,706)	0	0	(20,981,706)
Loan Guarantees	(2,286,250)	0	0	0	(2,286,250)
Margin Available	<u>33,566,965</u>	<u>37,365,437</u>	<u>94,200,358</u>	<u>94,200,358</u>	<u>259,333,118</u>
* Based upon the Chelan County Assessors 2019 assessment of property values for 2020 property taxes: \$3,768,014,339					

Additional information on the City's long-term debt can be found in Note 9.

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, 2020

	Primary Government			Component Unit
	Governmental	Business		Public Facilities
	Activities	Activities	Total	District
ASSETS				
Cash and cash equivalents	41,195,420	23,799,402	64,994,822	13,648,525
Investments	1,996,101	1,449,627	3,445,728	-
Receivables (net)	7,386,573	1,576,227	8,962,800	1,426,255
Inventories	19,459	298,337	317,796	48,725
Prepaid expenses	-	30,000	30,000	90,801
Internal balances	(3,700,000)	3,700,000	-	-
Net pension asset	3,652,144	-	3,652,144	-
Equity interest in joint venture	3,392,968	-	3,392,968	-
Capital assets not being depreciated:				
Land	26,265,452	2,756,360	29,021,812	1,706,915
Intangible assets	-	2,527,353	2,527,353	41,254
Construction in progress	4,475,752	1,888,747	6,364,499	-
Capital assets, net of accumulated depreciation:				-
Buildings	27,169,617	23,252,878	50,422,495	25,703,770
Other improvements	7,599,642	757,948	8,357,590	-
Machinery and equipment	4,595,059	338,362	4,933,421	771,391
Infrastructure	53,990,870	43,764,379	97,755,249	-
Total Assets	<u>178,039,057</u>	<u>106,139,620</u>	<u>284,178,677</u>	<u>43,437,636</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	31,735	-	31,735	-
Related to asset retirement obligations	-	4,231,333	4,231,333	-
Related to pensions	1,803,246	484,732	2,287,978	-
Total Deferred Outflow of Resources	<u>1,834,981</u>	<u>4,716,065</u>	<u>6,551,046</u>	<u>-</u>
LIABILITIES				
Current payables	2,335,167	528,559	2,863,726	176,826
Claims and judgements payable	113,130	-	113,130	-
Custodial	-	102,159	102,159	333,407
Accrued interest payable	-	114,641	114,641	714,097
Noncurrent liabilities				
Due within one year	1,268,518	2,120,086	3,388,604	1,145,000
Due in more than one year	42,095,482	35,770,985	77,866,467	38,949,681
Total liabilities	<u>45,812,297</u>	<u>38,636,430</u>	<u>84,448,727</u>	<u>41,319,011</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	1,218,270	320,902	1,539,172	-
Total Deferred Inflow of Resources	<u>1,218,270</u>	<u>320,902</u>	<u>1,539,172</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	99,546,317	44,389,324	143,935,641	(11,871,351)
Restricted for:				
Capital projects	10,031,448	3,419,007	13,450,455	-
Debt service	-	3,282,140	3,282,140	11,369,970
Pension	3,878,330	-	3,878,330	-
Unrestricted	19,387,375	20,807,882	40,195,257	2,620,006
Total net position	<u>132,843,470</u>	<u>71,898,353</u>	<u>204,741,823</u>	<u>2,118,625</u>

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Component Unit</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Business-type Activities</u>	
<u>Governmental Activities</u>	<u>Expenses</u>			<u>Total</u>	<u>Public Facilities District</u>
General government	5,440,984	615,742	976,530	1,676,617	-
Public safety	12,141,935	1,422,594	-	(9,830,428)	-
Physical Environment	384,178	105,978	-	(248,200)	-
Transportation	8,136,143	609,399	1,549,911	(5,581,134)	-
Economic environment	7,509,959	-	-	(5,792,263)	-
Culture and recreation	5,528,432	37,811	2,269,404	(3,108,903)	-
Interest on long-term debt	930,945	-	-	(930,945)	-
Total governmental activities	40,072,576	2,791,524	4,795,845	(23,815,256)	-
<u>Business Activities</u>					
Water	5,312,213	113,791	-	662,743	-
Sewer	7,545,026	108,439	-	1,485,931	-
Storm Drain	2,123,119	391,320	-	759,337	-
Regional Water	1,084,694	20,869	-	750,071	-
Cemetery	421,521	11,475	-	(212,146)	-
Total business type activities	16,486,573	645,894	-	3,445,936	-
Total Primary Government	56,559,149	3,437,418	4,795,845	(23,815,256)	-
<u>Component Units</u>					
Public Facilities District	6,397,073	-	6,894,044		2,172,369
Total Component Unit	6,397,073	-	6,894,044		2,172,369
General Revenues:					
Property Taxes				4,538,962	-
Sales Taxes				14,320,796	-
City Utility Taxes				6,970,702	-
Other Taxes				3,208,295	-
Unrestricted investment earnings				255,196	5,827
Gain on Sale of Capital Assets				1,059,705	-
Transfers				(19,700)	-
Total general revenues				30,388,916	5,827
Change in net position				3,720,832	2,178,196
Net position beginning balance				69,982,251	(59,571)
Prior Period Correction				(1,804,730)	-
Net position ending balance				132,843,470	2,118,625

The notes to the financial statements are an integral part of this statement.

CITY OF WENATCHEE, WA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Economic Development Projects	New City Hall Remodel	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	9,926,307	691,983	9,936,480	13,571,601	34,126,371
Investments	840,056	50,636	-	585,415	1,476,107
Taxes Receivable	309,461	-	-	7,098	316,559
Accounts Receivable	472,694	14,050	-	493,074	979,818
Due from Other Funds	170,658	-	-	-	170,658
Intergovernmental	2,713,655	26,428	-	3,064,650	5,804,733
Interfund Loans Receivable	1,500,000	-	-	-	1,500,000
Total assets	<u>15,932,831</u>	<u>783,097</u>	<u>9,936,480</u>	<u>17,721,838</u>	<u>44,374,246</u>
LIABILITIES					
Accounts Payable	237,355	212,808	-	1,471,507	1,921,670
Wages Payable	15,918	-	-	20,698	36,616
Due To Other Funds	-	-	-	170,658	170,658
Deposits Payable	34,025	1,827	-	-	35,852
Interfund Loans Payable	-	5,200,000	-	-	5,200,000
Total Liabilities	<u>287,298</u>	<u>5,414,635</u>	<u>-</u>	<u>1,662,863</u>	<u>7,364,796</u>
DEFERRED INFLOWS of RESOURCES					
Unavailable revenues:					
Special Assessments	-	-	-	241,156	241,156
Property Taxes	49,755	-	-	4,378	54,133
Grant Reimbursements	-	-	-	920,828	920,828
Misc. Billings	107,092	-	-	207,824	314,916
Total Deferred Inflows of Resource:	<u>156,847</u>	<u>-</u>	<u>-</u>	<u>1,374,186</u>	<u>1,531,033</u>
FUND BALANCE					
Nonspendable	-	-	-	1,245,811	1,245,811
Restricted	1,442,470	-	9,936,480	10,048,955	21,427,905
Committed	84,767	-	-	3,143,489	3,228,256
Assigned	995,942	-	-	249,675	1,245,617
Unassigned	12,965,507	(4,631,538)	-	(3,141)	8,330,828
Total Fund Balances	<u>15,488,686</u>	<u>(4,631,538)</u>	<u>9,936,480</u>	<u>14,684,789</u>	<u>35,478,417</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>15,932,831</u>	<u>783,097</u>	<u>9,936,480</u>	<u>17,721,838</u>	<u>44,374,246</u>

CITY OF WENATCHEE, WASHINGTON
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2020

Total Fund Balance Governmental Funds	35,478,417
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The amounts for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not available to finance current liabilities and therefore not reported in the fund financial statements.

Value of governmental assets	143,080,703
Less accumulated depreciation	(23,968,451)
	119,112,252

Assets that are not available financial resources are not reported in the fund financial statements.

Equity interest in joint venture	3,392,968
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Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Special Assessments	241,156
Property Taxes	54,133
Grant Reimbursements	920,828
Misc. Billings	314,916
	1,531,033

Long term liabilities are not reported in the governmental funds.

Councilmanic Bonds Payable	(20,667,000)
UTGO Bonds Payable	(314,706)
LID Bonds Payable	(199,819)
State CERB Loan	(825,766)
State PWTF Loan	(134,770)
Unamortized Loss on Refinancing	31,735
Unamortized Bond Premium	(2,408,014)
Employee Leave Benefits	(1,366,462)
	(25,884,802)

Pension liabilities and other post-employment benefits (OPEB) are not reported in the governmental funds.

OPEB Benefit for LEOFF	(13,503,492)
Firemen's Pension	(1,220,106)
Pension Related Debt	2,100,192
	(12,623,406)

The Internal Service Funds' assets and liabilities are reported in the governmental funds.	11,837,008
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Net position of governmental activities	132,843,470
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CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For Fiscal Year Ended December 31, 2020

	General	Economic Development Projects	New City Hall Remodel	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	22,635,313	-	-	6,413,177	29,048,490
Licenses and Permits	991,041	-	-	-	991,041
Intergovernmental	2,146,187	5,099	-	7,134,709	9,285,995
Charges for services	1,770,269	-	-	1,596,904	3,367,173
Fines and Forfeits	733,483	-	-	-	733,483
Investment earnings	137,088	2,059	46,149	124,860	310,156
Special Assessment Payments	-	-	-	5,292	5,292
Miscellaneous	115,710	206,426	-	317,797	639,933
Total Revenues	<u>28,529,091</u>	<u>213,584</u>	<u>46,149</u>	<u>15,592,739</u>	<u>44,381,563</u>
EXPENDITURES					
Current:					
General Government	5,686,716	-	-	39	5,686,755
Security of Persons & Property	10,466,309	-	-	-	10,466,309
Physical Environment	384,178	-	-	-	384,178
Transportation	32,621	1,123,864	-	5,845,586	7,002,071
Economic Environment	2,816,576	128,959	-	4,032,864	6,978,399
Culture & Recreation	2,531,937	-	-	3,736,753	6,268,690
Capital Outlay					
General Government	-	-	3,289,941	-	3,289,941
Culture & Recreation	-	-	-	2,150,266	2,150,266
Economic Development	-	218,490	-	-	218,490
Highway/streets	-	-	-	2,731,847	2,731,847
Debt Service					
Principal Retirement	37,241	-	-	1,221,771	1,259,012
Interest and other charges	23,317	23,610	-	884,018	930,945
Total Expenditures	<u>21,978,895</u>	<u>1,494,923</u>	<u>3,289,941</u>	<u>20,603,144</u>	<u>47,366,903</u>
Excess (Deficiency) of Revenue					
Over (Under) Expenditures	<u>6,550,196</u>	<u>(1,281,339)</u>	<u>(3,243,792)</u>	<u>(5,010,405)</u>	<u>(2,985,340)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	241,300	-	2,684,213	5,400,880	8,326,393
Proceeds from Sale of Capital Asset:	1,059,704	2,218,896	-	-	3,278,600
Debt Issuance Proceeds	-	70,017	-	-	70,017
Transfers Out	(5,050,355)	-	-	(1,446,680)	(6,497,035)
Total Other Financing Sources (Uses)	<u>(3,749,351)</u>	<u>2,288,913</u>	<u>2,684,213</u>	<u>3,954,200</u>	<u>5,177,975</u>
Change in Fund Balance	2,800,845	1,007,574	(559,579)	(1,056,205)	2,192,635
Fund Balance January 1	11,177,532	(5,639,112)	10,496,059	15,740,994	31,775,473
Prior Period Correction	1,510,309	-	-	-	1,510,309
Fund Balance December 31	<u>15,488,686</u>	<u>(4,631,538)</u>	<u>9,936,480</u>	<u>14,684,789</u>	<u>35,478,417</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 Fiscal Year Ended December 31, 2020

Net change in fund balance - total governmental funds 2,192,635

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	13,962,350	
Disposition of Capital Assets	(8,041,672)	
Depreciation Expense	(1,338,886)	
		4,581,792

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

Decreases in Special Assessments Receivable	(5,261)	
Increases in Property Taxes Receivable	(9,735)	
Increases in Grant and Misc. Billings	(695,663)	
Increase in Joint Venture Equity Interest	187,644	
		(523,015)

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

Bonds Issued	-	
State Loans Received	(70,017)	
Bonds Paid	1,217,770	
State Loans Paid	37,241	
LID Bonds Paid	4,001	
Amortization of loss on refunding	(31,737)	
Amortization of bond premium	138,269	
		1,295,527

The Internal Service funds are used to support governmental activities.

The net revenue (expense) of these funds are reported in governmental activities. 86,269

Changes in pension and OPEB obligations do not use current resources and are not reflected in the governmental funds.

Increase in OPEB benefit for LEOFF liability	(1,617,897)	
Increase in Firemen's Pension liability	(57,488)	
Decrease in pension related debt	635,257	
		(1,040,128)

Increases in governmental fund compensated absences payable (19,420)

Change in net position of governmental activities.	6,573,660
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CITY OF WENATCHEE, WA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND

For Fiscal Year Ended December 31, 2020

			ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET -
				POSITIVE
				(NEGATIVE)
REVENUES				
Taxes	23,136,130	23,136,130	22,635,313	(500,817)
Licenses & Permits	1,077,000	1,077,000	991,041	(85,959)
Intergovernmental	817,200	1,359,200	2,119,869	760,669
Charges for Services	1,505,580	1,870,580	1,756,569	(114,011)
Fines & Forfeits	982,000	982,000	719,681	(262,319)
Interest Earnings	115,000	115,000	94,150	(20,850)
Miscellaneous	53,920	53,920	115,710	61,790
Total Revenues	27,686,830	28,593,830	28,432,333	(161,497)
EXPENDITURES				
Current:				
General Government	5,688,740	6,349,240	5,686,716	662,524
Security of Persons & Property	11,953,960	11,953,960	9,953,451	2,000,509
Physical Environment	352,880	352,880	353,005	(125)
Transportation	-	-	32,621	(32,621)
Economic Environment	3,222,200	3,677,800	2,816,576	861,224
Culture & Recreation	2,982,940	3,009,940	2,531,937	478,003
Capital Outlay	110,000	172,000	-	172,000
Debt Service:				
Principal Retirement	33,640	33,640	37,241	(3,601)
Interest and other charges	21,490	21,490	23,317	(1,827)
Total Expenditures	24,365,850	25,570,950	21,434,864	4,136,086
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	3,320,980	3,022,880	6,997,469	3,974,589
OTHER FINANCING SOURCES (USES)				
Transfers In	241,300	241,300	241,300	-
Proceeds from Sale of Capital Assets	-	697,410	1,059,704	362,294
Transfers Out	(5,560,200)	(5,557,610)	(5,260,355)	297,255
Total Other Financing Sources (Uses)	(5,318,900)	(4,618,900)	(3,959,351)	659,549
Change in Fund Balance	(1,997,920)	(1,596,020)	3,038,118	4,634,138
Fund Balance January 1	8,000,000	8,000,000	8,398,878	398,878
Fund Balance December 31	6,002,080	6,403,980	11,436,996	5,033,016

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
ASSETS							
Current Assets							
Cash and cash equivalents	1,095,676	7,028,939	3,946,107	4,715,320	312,213	17,098,255	6,974,081
Investments	102,246	671,908	306,414	346,013	23,046	1,449,627	519,994
Accounts receivable	447,508	812,152	186,054	-	21,401	1,467,115	113,703
Intergovernmental receivable	-	-	39,159	69,953	-	109,112	1,102
Interfund loan receivable	-	3,700,000	-	-	-	3,700,000	-
Inventory of material and supplies	298,337	-	-	-	-	298,337	19,459
Prepaid expense	30,000	-	-	-	-	30,000	-
Cash - restricted for capital	-	3,419,007	-	-	-	3,419,007	94,968
Total current assets	<u>1,973,767</u>	<u>15,632,006</u>	<u>4,477,734</u>	<u>5,131,286</u>	<u>356,660</u>	<u>27,571,453</u>	<u>7,723,307</u>
Noncurrent Assets							
Cash - restricted for debt service	291,203	2,772,666	218,271	-	-	3,282,140	-
Capital assets							
Land	412,617	874,330	947,310	302,446	219,657	2,756,360	-
Buildings	4,672,886	30,021,324	2,442,079	2,623,394	433,606	40,193,289	-
Intangible	155,673	476,102	259,495	2,597,986	19,639	3,508,895	-
Machinery and equipment	1,614,628	307,775	32,467	276,707	-	2,231,577	9,778,316
Infrastructure	22,844,276	32,221,929	10,345,108	9,294,326	-	74,705,639	-
Construction in progress	117,228	1,594,158	177,362	-	-	1,888,748	476,810
Less accumulated depreciation	(12,606,838)	(26,332,749)	(2,926,314)	(7,905,723)	(226,857)	(49,998,481)	(5,270,986)
Total noncurrent assets	<u>17,501,673</u>	<u>41,935,535</u>	<u>11,495,778</u>	<u>7,189,136</u>	<u>446,045</u>	<u>78,568,167</u>	<u>4,984,140</u>
Total Assets	<u>19,475,440</u>	<u>57,567,541</u>	<u>15,973,512</u>	<u>12,320,422</u>	<u>802,705</u>	<u>106,139,620</u>	<u>12,707,447</u>
DEFERRED OUTFLOWS OF RESOURCES							
Related to asset retirement	288,750	3,382,583	560,000	-	-	4,231,333	-
Related to pensions	171,207	188,395	69,800	27,247	28,083	484,732	178,676
Total Deferred Outflow of Resources	<u>459,957</u>	<u>3,570,978</u>	<u>629,800</u>	<u>27,247</u>	<u>28,083</u>	<u>4,716,065</u>	<u>178,676</u>
LIABILITIES							
Current liabilities							
Accounts payable	146,020	215,446	91,593	44,794	16,425	514,278	169,856
Wages and benefits payable	117	5,696	57	770	141	6,781	500
Deposits payable	7,500	-	-	-	-	7,500	15
Claims and judgements payable	-	-	-	-	-	-	113,130
Custodial	82,159	-	-	20,000	-	102,159	-
Accrued interest payable	10,976	91,764	11,901	-	-	114,641	-
Due to other governments - current	-	544,309	25,777	-	-	570,086	-
Revenue bonds payable - current	318,790	1,043,346	187,864	-	-	1,550,000	-
Total current liabilities	<u>565,562</u>	<u>1,900,561</u>	<u>317,192</u>	<u>65,564</u>	<u>16,566</u>	<u>2,865,445</u>	<u>283,501</u>
Noncurrent liabilities							
Due to other governments	-	3,518,589	435,341	-	-	3,953,930	-
Revenue bonds payable	2,831,653	20,085,594	1,893,539	-	-	24,810,786	-
Asset retirement obligations	500,000	4,000,000	1,000,000	-	-	5,500,000	-
Net pension liability	402,680	443,105	164,169	64,085	66,052	1,140,091	420,245
Compensated absences	125,304	133,131	35,462	24,287	47,994	366,178	227,084
Total Non-current Liabilities	<u>3,859,637</u>	<u>28,180,419</u>	<u>3,528,511</u>	<u>88,372</u>	<u>114,046</u>	<u>35,770,985</u>	<u>647,329</u>
Total Liabilities	<u>4,425,199</u>	<u>30,080,980</u>	<u>3,845,703</u>	<u>153,936</u>	<u>130,612</u>	<u>38,636,430</u>	<u>930,830</u>
DEFERRED INFLOWS OF RESOURCES							
Related to Pensions	113,342	124,721	46,209	18,038	18,592	320,902	118,285
Total Deferred Inflow of Resources	<u>113,342</u>	<u>124,721</u>	<u>46,209</u>	<u>18,038</u>	<u>18,592</u>	<u>320,902</u>	<u>118,285</u>
NET POSITION							
Net Invested in Capital Assets	14,060,027	13,971,031	8,723,085	7,189,136	446,045	44,389,324	4,984,140
Restricted	291,203	6,191,673	218,271	-	-	6,701,147	94,968
Unrestricted	1,045,626	10,770,114	3,770,044	4,986,559	235,539	20,807,882	6,757,900
Total Net Position	<u>15,396,856</u>	<u>30,932,818</u>	<u>12,711,400</u>	<u>12,175,695</u>	<u>681,584</u>	<u>71,898,353</u>	<u>11,837,008</u>

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For Fiscal Year Ended December 31, 2020

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
OPERATING REVENUES:							
Residential Utility Sales	3,418,012	3,562,089	1,013,397	-	-	7,993,498	-
Commercial/Industrial Utility Sales	2,379,367	4,855,600	1,465,430	1,813,061	-	10,513,458	-
Connection Fees	19,068	424,501	-	-	-	443,569	-
Charges for Services	28,596	8,731	9,390	-	196,742	243,459	5,289,066
Intergovernmental	-	-	-	-	-	-	343,711
Miscellaneous	16,122	71,597	2,919	835	1,158	92,631	15,380
Total Operating Revenues	<u>5,861,165</u>	<u>8,922,518</u>	<u>2,491,136</u>	<u>1,813,896</u>	<u>197,900</u>	<u>19,286,615</u>	<u>5,648,157</u>
OPERATING EXPENSES:							
Operations and Maintenance	2,347,110	2,626,035	984,965	664,022	411,577	7,033,709	3,684,242
Payment of Premiums	-	-	-	-	-	-	1,018,086
General Administration	2,236,718	2,661,309	745,548	-	-	5,643,575	-
Depreciation	607,831	1,412,730	294,357	420,672	9,944	2,745,534	480,911
Total Operating Expenses	<u>5,191,659</u>	<u>6,700,074</u>	<u>2,024,870</u>	<u>1,084,694</u>	<u>421,521</u>	<u>15,422,818</u>	<u>5,183,239</u>
Operating Income (Loss)	669,506	2,222,444	466,266	729,202	(223,621)	3,863,797	464,918
NON-OPERATING REVENUES (EXPENSES)							
Interest Income	13,998	142,968	45,001	49,896	3,333	255,196	64,308
Debt Interest & Related Charges	(120,554)	(844,952)	(98,249)	-	-	(1,063,755)	-
Grant Revenue	113,791	108,439	391,320	20,869	11,475	645,894	98,003
Insurance Recoveries	-	-	-	-	-	-	336,898
Gain (Loss) on Capital Assets	-	-	-	-	-	-	(5,330)
Non-Operating Revenues (Expenses)	<u>7,235</u>	<u>(593,545)</u>	<u>338,072</u>	<u>70,765</u>	<u>14,808</u>	<u>(162,665)</u>	<u>493,879</u>
Net Income Before Transfers and Contributions	676,741	1,628,899	804,338	799,967	(208,813)	3,701,132	958,797
Transfers In	-	-	-	-	261,000	261,000	835,155
Transfers Out	(104,450)	(104,450)	(32,400)	-	-	(241,300)	(2,684,213)
Capital Contributions	-	-	-	-	-	-	976,530
Change in Net Position	572,291	1,524,449	771,938	799,967	52,187	3,720,832	86,269
Prior Period Correction	(1,493,202)	(133,185)	-	(178,343)	-	(1,804,730)	-
Net Position January 1	16,317,767	29,541,554	11,939,462	11,554,071	629,397	69,982,251	11,750,739
Net Position December 31	<u>15,396,856</u>	<u>30,932,818</u>	<u>12,711,400</u>	<u>12,175,695</u>	<u>681,584</u>	<u>71,898,353</u>	<u>11,837,008</u>

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For Fiscal Year Ended December 31, 2020

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:							
Cash received from customers	5,753,863	8,778,561	2,426,306	1,833,883	184,628	18,977,241	5,293,531
Cash payments to vendors	(3,196,093)	(3,661,355)	(1,187,445)	(419,822)	(157,402)	(8,622,117)	(3,191,859)
Cash payments to employees	(1,643,204)	(1,803,292)	(662,047)	(249,483)	(275,113)	(4,633,139)	(1,720,872)
Other operating revenues	16,125	71,599	2,919	835	1,158	92,636	359,091
Net cash provided by operating activities	930,691	3,385,513	579,733	1,165,413	(246,729)	5,814,621	739,891
Cash Flows From Noncapital Financing Activities:							
Transfers from other funds	-	-	-	-	261,000	19,700	835,155
Transfers to other funds	(104,450)	(104,450)	(32,400)	-	-	-	(2,684,213)
Net cash provided by noncapital financing	(104,450)	(104,450)	(32,400)	-	261,000	19,700	(1,849,058)
Cash Flows From Capital and Related Financing Activities:							
Acquisition and construction of capital assets	(780,448)	(1,382,427)	(435,874)	-	-	(2,598,749)	(1,028,423)
Principal repayment on revenue bonds	(328,368)	(886,070)	(186,252)	-	-	(1,400,690)	-
Interest and related costs paid on revenue bonds	(120,554)	(801,098)	(90,664)	-	-	(1,012,316)	-
Repayment of construction loans	-	(538,303)	(25,618)	-	-	(563,921)	-
Interest and related costs on construction loans	-	(43,854)	(7,585)	-	-	(51,439)	-
Insurance Recoveries	-	-	-	-	-	-	336,899
Grant proceeds	113,791	108,439	391,320	20,869	11,475	645,894	98,005
Capital contributed by customers	-	-	-	-	-	-	976,530
Net cash used for capital and related financing	(1,115,579)	(3,543,313)	(354,673)	20,869	11,475	(4,981,221)	383,011
Cash Flows From Investing Activities:							
Maturity of investments	599,731	3,039,416	1,377,975	1,175,832	98,416	6,291,370	2,761,260
Interest on investments	13,998	142,968	45,001	49,896	3,333	255,196	64,306
Net cash provided(used) in investing activities	613,729	3,182,384	1,422,976	1,225,728	101,749	6,546,566	2,825,566
Net increase (decrease) in cash and cash equivalents	324,391	2,920,134	1,615,636	2,412,010	127,495	7,399,666	2,099,410
Cash and cash equivalents at beginning of year	1,062,488	10,300,478	2,548,742	2,303,310	184,718	16,399,736	4,969,639
Cash and cash equivalents at end of year	1,386,879	13,220,612	4,164,378	4,715,320	312,213	23,799,402	7,069,049
Reconciliation of Operating Income to net cash provided (used) by operating activities							
Operating Income (Loss)	669,506	2,222,444	466,266	729,202	(223,621)	3,863,797	464,918
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation	607,831	1,412,730	294,357	420,672	9,944	2,745,534	480,911
Change in assets and liabilities:							
(Increase) Decrease Accounts Receivable	(74,673)	(86,867)	(14,835)	-	(12,114)	(188,489)	5,568
(Increase) Decrease Prepayments	(14,507)	14,507	-	-	-	-	(737)
(Increase) Decrease Due From Other Governments	-	-	(14,308)	20,822	-	6,514	-
(Increase) Decrease Due From Other Funds	-	-	-	-	-	-	(1,102)
(Increase) Decrease Inventory	(150,769)	-	-	-	-	(150,769)	(46,185)
Increase (Decrease) Accounts Payable	18,071	(72,697)	(58,923)	33,610	6,892	(73,047)	-
Increase (Decrease) Wages Payable	117	(4,477)	59	770	141	(3,390)	378
Increase (Decrease) Retainage Payable	(21,554)	-	-	-	-	(21,554)	-
Increase (Decrease) Customer Deposits Payable	(2,000)	-	(32,770)	-	-	(34,770)	-
Increase (Decrease) Asset Retirement Activities	5,000	40,000	10,000	-	-	55,000	-
Increase (Decrease) Pension Activities	(119,342)	(146,475)	(71,271)	(37,450)	(27,292)	(401,830)	(183,069)
Increase (Decrease) Accrued Employee Leave	13,011	6,348	1,158	(2,213)	(679)	17,625	19,209
Total Adjustments	261,185	1,163,069	113,467	436,211	(23,108)	1,950,824	274,973
Net Cash Provided by Operating Activities	930,691	3,385,513	579,733	1,165,413	(246,729)	5,814,621	739,891

CITY OF WENATCHEE, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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 in staggered four-year terms. Two Councilors are elected at large and five are elected in regional districts. 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. The component units discussed below are included in the City of Wenatchee reporting entity because of the significance of their operational or financial relationships with the City. 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 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 discretely presented component unit.

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 0.2% additional sales and use tax the City imposed in 2012 to assist the PFD with refinancing the outstanding debt. Additional information on the City's relationship with the PFD is discussed in Note 9 and Note 11.

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 98801.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government wide financial statements (the statement of net position and statement of activities) report information on all the non-fiduciary activities of the primary government and its component units. 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. The City's policy is to not allocate indirect costs to 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 meet 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.

As a general rule the effect of the interfund activity has been eliminated for the government wide financial statements. Exceptions to this rule are services provided to capitalized projects and the business activity funds.

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.

The City of Wenatchee reports the following major governmental funds:

- 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. GASB 54 requires that funds supported by general revenues but for management reasons are accounted for in separate funds be consolidated with the general fund for reporting purposes. The City consolidates five funds into the General Fund: the Rainy Day, LEOFF Long Term Care, LEOFF Retiree Health Insurance, Abatement, and the Firemen's Pension funds. This process eliminates transfers between funds and adds the revenues and expenditures to the General Fund's balances. The General Fund's fund balance was increased by: \$1,607,487 Rainy Day Fund; \$598,485 LEOFF Long Term Care Fund; \$397,457 LEOFF Retiree Health Insurance Fund; \$84,767 Abatement Fund; and \$1,363,494 Firemen's Pension Fund.
- The **Economic Development Capital Projects Fund** accounts for major capital projects undertaken by the City to promote Economic Development. The purchase and sale of properties in North Wenatchee were significant transactions that made this fund a major fund. Industrial properties in North Wenatchee have been purchased to redevelop an area that suffered damage in a prior year fire. These properties will have new roads constructed and sold to promote mixed use zoning.
- The **New City Hall Remodel Capital Projects Fund** accounts for the costs to purchase and remodel the new City Hall facility in the old Federal Building. The majority of the funding for this project came from the bond proceeds of the 2019 LTGO debt issuance.

The City of Wenatchee reports the following major proprietary funds:

- The **Water Utility Fund** accounts for the operation of the water distribution system.
- The **Sewer Utility Fund** accounts for the operation of the sanitary sewer collection and treatment systems.
- The **Storm Drain Utility 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, 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 internal service funds that 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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

1. Government wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to 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 revenue in the year in 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.

2. Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the city are charges for services to manage, maintain and develop water, sewer and storm drain systems. 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.

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 re-appropriated during the subsequent fiscal year.

2. Reconciliation of Budgetary and Actual Statements

The total revenues and expenditures of the General fund from the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budgetary and Actual do not tie to the total revenues and total expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances. The City consolidates five administrative funds into the General Fund: the Rainy Day, LEOFF Long Term Care, LEOFF Retiree Health Insurance, Abatement, and the Firemen's Pension funds. They are budgeted individually for managerial purposes.

	General	Adjustments					General	
	Fund	LEOFF						Fund GAAP
	Budgetary	LEOFF LT	Retiree	Firemen's				
	Basis	Rainy Day	Care	Health	Abatement	Pension	Basis	
Revenues	28,432,333	15,384	5,812	3,608	27,478	44,476	28,529,091	
Expenditures	21,434,864	-	109,390	282,177	31,173	121,291	21,978,895	
Other Fin. Sources (Uses)	(3,959,351)	-	40,000	240,000	-	(70,000)	(3,749,351)	
Change in Fund Balance	3,038,118	15,384	(63,578)	(38,569)	(3,695)	(146,815)	2,800,845	

3. 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 councilmembers) after holding a public hearing. During 2020 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.

4. Excess of Expenditures Over Appropriations

No major fund exceeded its legally adopted budget authority.

5. Deficit Fund Balance/Net Position

- Community Development Block Grant (CDBG) Entitlement Fund (a special revenue fund) has a deficit fund balance of \$5 at December 31, 2020. The deficit was a result of the City expending grant financed projects that were not reimbursed until after yearend.
- The Police Station Bond debt service fund has a deficit fund balance of \$3,136 at December 31, 2020. The deficit resulted from 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 Economic Development Projects Capital Fund has a deficit fund balance of \$4,631,538 at December 31, 2020. The deficit resulted from interfund loans required to purchase North Wenatchee redevelopment properties. These properties are expected to be sold within a couple years to repay the interfund loans.

E. ASSETS, LIABILITIES, FUND BLANCES, NET POSITION

1. Cash, Cash Equivalents

It is the city's policy to invest all temporary cash surpluses. At December 31, 2020, the state treasurer was holding \$63,189,314 in short term residual investment of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents. Cash and cash equivalents includes amounts in demand deposit accounts and the State Treasurer's Investment Pool account. State statutes authorize the City 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. Interest earned on these investments are prorated to the various funds based on the funds' monthly balance.

2. Investments

See Note 3, Deposits and Investments

3. Receivables

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:

- Taxes receivable consist of property taxes (see Note 4).
- Accounts 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 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. Special assessments are recorded when levied. As of December 31, 2020 special assessments receivable totaled \$241,156. One assessment was delinquent at year-end.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund loans receivable/payable". 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 12.

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 and valued at cost. Proprietary funds display a prepaid item in the form of a contribution made in 2020 that will be recognized as a tax credit in 2021.

6. Restricted Assets

These accounts contain resources for construction and debt service in enterprise funds. Specific debt service reserve requirements are described in Note 9.

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

- Cash and Investments – Debt Service: \$3,282,140
- Cash and Investments – Construction: \$3,419,007

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 City as assets with an estimated useful life in excess of five years and an initial, individual cost of more than \$20,000 for equipment and \$100,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost as of the date of donation.

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

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	System infrastructure	25-50 years
Building Improvements	40-50 years	Equipment	5-45 years
Public domain infrastructure	50-100 years		

8. 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 applied to future periods and 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 in inflow of resources (revenue) until that time.

9. 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 with the City after more than five years of service.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Long-term Debt - See Note 9

12. Unavailable Revenues

Unavailable revenues include amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria has not been met.

13. Fund Balance Classification

The fund balance amounts for governmental funds have been classified 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 purpose stipulated by external resource providers, constitutionally or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of 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. City Council or Finance Committee is authorized to assign fund balances.
- *Unassigned* fund balance is the residual classification or the general fund and includes all amounts not contained in the other classifications.

When expenditures are incurred that could be paid from either restricted, committed, assigned, or unassigned resources the City uses restricted resources first, committed resources second, assigned resources third, and unassigned resources last.

The fund balance is committed when the City Council commits a revenue source to a specific purpose by formal resolution or ordinance. The fund balance is assigned when the City reports a revenue source in a separate fund that is not restricted or committed.

Following is a description of restrictions placed on the various fund balances in 2020:

	General	Economic Development	New City Hall Remodel	Non-Major Funds
Nonspendable				
Cemetery Endowment	-	-	-	1,245,811
Restricted				
Employee benefits	39,164	-	-	-
Firemen's Pension	1,363,494	-	-	-
Construction contracts	8,000	-	-	-
Law enforcement operations	31,812	-	-	-
Building construction	-	-	9,936,480	-
Streets, sidewalks, transportation	-	-	-	4,240,580
Hotel/motel & convention	-	-	-	536,881
Low income assistance programs	-	-	-	971,680
Local revitalization district	-	-	-	4,167,240
Local improvement district	-	-	-	132,574
	<u>1,442,470</u>	<u>-</u>	<u>9,936,480</u>	<u>10,048,955</u>
Committed				
Code enforcement	84,767	-	-	-
Public art	-	-	-	274,243
Streets, sidewalks, transportation	-	-	-	2,777,452
Community Center	-	-	-	60,175
LTGO debt	-	-	-	31,619
	<u>84,767</u>	<u>-</u>	<u>-</u>	<u>3,143,489</u>
Assigned				
LEOFF retiree health	995,942	-	-	-
Park capital projects	-	-	-	249,675
	<u>995,942</u>	<u>-</u>	<u>-</u>	<u>249,675</u>
Unassigned	12,965,507	(4,631,538)	-	(3,141)
Total fund balance	<u>15,488,686</u>	<u>(4,631,538)</u>	<u>9,936,480</u>	<u>14,684,789</u>

The City's Financial Management Policy establishes fund balance goals for City funds as indicated below:

General Fund operating reserve – 15% of recurring expenditures

General Fund rainy day reserve - \$1 million

The Convention Center, Street, Community Center, and Cemetery funds – 15% of recurring expenditures

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3. DEPOSITS AND INVESTMENTS**A. DEPOSITS:**

As of December 31, 2020 the carrying amount of the City's cash balances was \$1,793,539 which consisted of bank deposits and petty cash.

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).

B. INVESTMENTS:

The City measures and report investment at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

As of December 31, 2020, the City had the following investments measured at fair value:

Investment	Total	Level 1	Level 2	Level 3
Riverside Dr LID	199,821	-	-	199,821
Federal Agency Securities	3,245,907	3,245,907	-	-
Total	\$ 3,445,728	3,245,907	-	199,821

As of December 31, 2020 the City had the following investments measured at amortized cost:

Investment	Total	Level 1	Level 2	Level 3
State Pool	\$ 63,189,314	63,189,314	-	-
Total	\$ 63,189,314	63,189,314	-	-

The City is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

The investments in the Riverside Drive LID Special Assessment bonds are bonds issued by City managed Special Assessment's or Local Improvement Districts (LID). Property owners who benefited from the improvement are billed equal annual installments, with interest, for the term of the LID. The property owners can prepay the assessments at any time with no penalty. 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.

The City limits investment risk by limiting the investment type, investment maturity and percentage invested by agency and amount. The City can only invest in US bonds, US Agency securities, certificates of deposit, Washington Investment Pool, savings accounts, bonds of other cities within Washington State, and City managed local improvement districts. With the exception of the non-spendable funds and bond reserve funds, investment maturities cannot be more than five years. With the exception of US Treasury and Washington State Investment Pool no more than 30 percent of the city's total investment portfolio will be invested in a single security type or single financial institution.

The City also limits the interest rate risk of declining fair value by selecting investments that will mature within five years. The City's investment policy allows the sale of investments prior to maturity, but it is the City's intent to hold the investments to maturity.

The City's investment policy can be changed by approval of the City Council after recommendation of the Finance Director and is approval by the City's Finance Committee.

Custodial risk is the risk that in the 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 assets held in the Washington State Investment Pool, nothing is exposed to custodial credit risk.

NOTE 4. PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections in one month are distributed the following 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.

Outstanding property taxes at year end are recorded as a receivable and a deferred inflow with a 60 day accrual.

The City may levy up to \$3.825 per \$1,000 of assessed valuation for general governmental services, however, that amount is reduced to \$1.825 as a result of a \$.50 and \$1.50 per \$1,000 levy assessed by the North Central Regional Library and Chelan County Fire District #1, respectively.

The City's regular levy for 2020 was \$1.11111 per \$1,000 on an assessed valuation of \$3,768,014,339 for a total levy of \$4,186,669.

In addition to the regular levy, the City has a bond levy that was approved by voters in September 2001 for the construction of a police station. The 2020 levy was \$0.09891 per \$1,000 on an assessed valuation of \$3,315,496,178 for a total levy of \$327,932.

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
2020	\$ 1.11111	\$ 0.09891	\$ 4,186,669	\$ 327,932	\$ 3,768,014,339	\$ 3,315,496,178
2019	1.06648	0.10815	3,692,463	327,637	3,462,296,482	3,029,495,753
2018	1.11474	0.12036	3,343,174	327,827	2,999,055,290	2,723,618,763
2017	1.11315	0.12685	3,220,000	326,040	2,892,690,819	2,570,318,354
2016	1.15333	0.13710	2,779,431	326,040	2,409,916,482	2,378,002,208
2015	2.64845	0.14564	6,042,144	326,036	2,281,382,751	2,238,494,190

NOTE 5. CAPITAL ASSETS

Government wide capital asset activity for the year ended December 31, 2020 was as follows:

Governmental Activities	Beginning			Ending
Capital assets not being depreciated:	Balance	Additions	Deletions	Balance
Land	26,163,430	2,390,918	2,288,896	26,265,452
Construction in progress	7,006,874	2,665,029	5,196,151	4,475,752
Total capital assets not being depreciated	33,170,304	5,055,947	7,485,047	30,741,204
Capital assets being depreciated:				
Buildings	37,873,405	2,685,816	346,000	40,213,221
Improvements other than buildings	5,968,866	4,217,784	143,240	10,043,410
Machinery and equipment	10,273,287	621,613	751,671	10,143,229
Infrastructure	59,715,150	2,479,613	-	62,194,763
Total capital assets being depreciated	113,830,708	10,004,826	1,240,911	122,594,623
Less accumulated depreciation for:				
Buildings	12,468,810	893,114	318,320	13,043,604
Improvements other than buildings	2,162,609	404,225	123,065	2,443,769
Machinery and equipment	5,807,789	460,103	719,721	5,548,171
Infrastructure	7,598,838	605,053	-	8,203,891
Total accumulated depreciation	28,038,046	2,362,495	1,161,106	29,239,435
Total capital assets being depreciated, net	85,792,662	7,642,331	79,805	93,355,188
Governmental activities capital assets, net	118,962,966	12,698,278	7,564,852	124,096,392

Depreciation was charged to governmental activities as follows:

General government	790,860
Public Safety	150,028
Culture and recreation	810,234
Infrastructure	611,373
Total depreciation expense governmental activities	2,362,495

Business-Type Activities	Beginning	Reclassification			Ending
Capital assets not being depreciated:	Balance	Adjustments	Additions	Deletions	Balance
Land	2,809,462	(53,101)	-	-	2,756,361
Construction in progress	1,451,972	-	1,321,865	885,090	1,888,747
Intangible assets	2,704,831	(177,478)	-	-	2,527,353
Total capital assets not being depreciated	6,966,265	(230,579)	1,321,865	885,090	7,172,461
Capital assets being depreciated:					
Buildings	40,177,346	15,943	-	-	40,193,289
Improvements other than buildings	1,920,325	(870,710)	259,495	327,568	981,542
Machinery and equipment	2,749,962	(518,384)	-	-	2,231,578
Infrastructure	76,732,788	(3,929,631)	1,902,480	-	74,705,637
Total capital assets being depreciated	121,580,421	(5,302,782)	2,161,975	327,568	118,112,046
Less accumulated depreciation for:					
Buildings	18,858,104	(2,837,259)	919,566	-	16,940,411
Improvements other than buildings	1,316,764	(870,710)	72,644	295,104	223,594
Machinery and equipment	2,344,048	(500,695)	51,065	1,202	1,893,216
Infrastructure	28,790,232	480,026	1,671,000	-	30,941,258
Total accumulated depreciation	51,309,148	(3,728,638)	2,714,275	296,306	49,998,479
Total capital assets being depreciated, net	70,271,273	(1,574,144)	(552,300)	31,262	68,113,567
Business-type activities capital assets, net	77,237,538	(1,804,723)	769,565	916,352	75,286,028

Depreciation was charged against business-type activities as follows:

Water	607,833
Sewer	1,412,730
Storm Drain	261,894
Regional Water	420,672
Cemetery	11,146
Total depreciation expense business-type activities	2,714,275

The reclassification adjustments column displays prior period corrections for old assets that no longer meet the City's asset valuation thresholds or were obsolete. See note 16 for further details.

NOTE 6. PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amount - All Plans	
Pension liabilities	\$ 4,856,980
Pension assets	3,652,144
Deferred outflows of resources	2,287,978
Deferred inflows of resources	1,539,172
Pension expense/expenditures	552,095

A. PLAN DESCRIPTIONS

STATE SPONSORED PLANS

Substantially all City of Wenatchee 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 and defined contribution retirement plans. The state Legislature establishes, and amends laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380. Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1					
Actual Contribution Rates:	Employer	Employee	Actual Contribution Rates:	Employer	Employee
January - August 2020			September - December 2020		
PERS Plan 1	7.92%	6.00%	PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAL	4.76%		PERS Plan 1 UAL	4.87%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Total	12.86%	6.00%	Total	12.97%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3					
Actual Contribution Rates:	Employer 2/3	Employee 2	Actual Contribution Rates:	Employer 2/3	Employee 2
January - August 2020			September - December 2020		
PERS Plan 2/3	7.92%	7.90%	PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%		PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Employee PERS Plan 3		varies	Employee PERS Plan 3		varies
Total	12.86%	7.90%	Total	12.97%	7.90%

The city's actual PERS plan contributions were \$501,871 to PERS Plan 1 and \$828,975 to PERS Plan 2/3 for the year ended December 31, 2020.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2020. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. 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 three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% in 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January - December 2020		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%

The city's actual contributions to the plan were \$223,403 for the year ended December 31, 2020.

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 the state fiscal year ending June 30, 2020, the state contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$142,849.

EMPLOYER SPONSORED PLAN

Firemen's Pension Fund

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.

The LEOFF Disability and Pension Board is an uncompensated board consisting of one retired police officer, one retired fire fighter, two council members and one member appointed by the Mayor.

As of December 31, 2020, there were a total of 16 retirees or beneficiaries eligible for retirement benefits. Of these 16 the State of Washington pays 4, the City pays 3, and the City and State share the cost of the remaining 9.

The City's Firemen's Pension Fund does not meet the criteria to be considered a qualifying trust under GASB 68. Therefore, cash accumulated to pay these pension benefits are not considered plan assets.

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.

The Firemen's Pension Fund is rolled into the city's General Fund for financial statement reporting purposes. 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.

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. has completed actuarial studies of the fund biennial beginning in January 1, 2008; the most recent of which was performed as of January 1, 2020 with a measurement date of December 31, 2017. An update was performed with a measurement date of December 31, 2020. The General Fund is responsible for the costs of administering the plan. Obligations for medical expenses are funded primarily through group insurance - the premiums for which are not paid from the Firemen's Pension Fund. There have been no required employee contributions to the plans since March 1, 1970. As of December 31, 2020, the General Fund reported restricted net position of \$1,363,494 for payment of future benefits.

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 this report.

B. ACTUARIAL ASSUMPTIONS

STATE SPONSORED PLANS

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by members status, as the base table. The OSA applied age offsets for each system, as appropriate to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

EMPLOYER SPONSORED PLAN

The Firemen's Pension's actuarial assumptions used in the January 1, 2020 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.

Valuation date: January 1, 2020. Measurement date: December 31, 2020. Actuarial cost method: entry age normal. Inflation rate: 2.25%. Projected salary increases: 3.25%. Mortality rates were based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members). The Firemen's Pension Fund benefit adjustments are based on the change in salary for the rank 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.

C. DISCOUNT RATE

STATE SPONSORED PLANS

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

EMPLOYER SPONSORED PLAN

The discount rate of 2.00 percent used to measure the Firemen's Pension Fund's Total Pension Liability, is a blended rate made up of a long-term expected rate of return on the plan investments and a municipal bond rate. The long-term expected rate of return may be used to discount liabilities to the extent that the Plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. The Bond Buyer General Obligation 20-bond municipal bond index for bond that mature in 20 years is 2.12 percent as of December 31, 2020. Rounding to the nearest $\frac{1}{4}$ percent results in a discount rate of 2.00 percent. Using 2.00 percent for both the long-term expected rate of return and the bond index will mean that 2.00% could be used as the single discount rate.

D. LONG-TERM EXPECTED RATE OF RETURN

STATE SPONSORED PLANS

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

E. ESTIMATED RATES OF RETURN BY ASSET CLASS

STATE SPONSORED PLANS

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

F. SENSITIVITY OF NPL

STATE SPONSORED PLANS

The table below presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 3,101,556	\$ 2,476,180	\$ 1,930,787
PERS 2/3	7,222,136	1,160,692	(3,830,911)
LEOFF 1	(1,161,148)	(1,426,561)	(1,656,188)
LEOFF 2	(44,060)	(2,225,583)	(4,011,815)

EMPLOYER SPONSORED PLAN

The following table presents the net pension liability for the City, calculated using the discount rate of 2.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate.

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total pension liability	\$ 1,319,562	\$ 1,220,108	\$ 1,132,777

G. PENSION PLAN FIDUCIARY NET POSITION

STATE SPONSORED PLANS

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

EMPLOYER SPONSORED PLAN

The Firemen's Pension Fund's total pension liability was calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date. Any significant changes during the period have been reflected as prescribed by GASB 73. The net pension liability of the City at December 31, 2020, was \$1,220,108. There was no covered payroll.

Change in Total Pension Liability	
Balance as of December 31, 2019	\$ 1,205,840
Changes for the year:	
Interest on total pension liability	31,714
Effect of economic/demographic gains or losses	22,014
Effect of assumptions changes or inputs	66,526
Benefit payments	(105,986)
Balances as of December 31, 2020	1,220,108

H. PENSION LIABILITIES (ASSETS), EXPENSE, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Liability (Asset)

At June 30, 2020, the city reported a total pension asset of \$3,652,144 and a total pension liability of \$3,636,871 for its proportionate share of the net pension liabilities for the State Sponsored plans as follows:

	Liability (or Asset)
PERS 1	\$ 2,476,180
PERS 2/3	1,160,692
LEOFF 1	(1,426,561)
LEOFF 2	(2,225,583)

At December 31, 2020 the city reported a total pension liability of \$1,220,108 for the Employer Sponsored Firemen's Pension Plan.

The amount of the asset reported above for LEOFF Plan 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the city as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (1,426,561)	\$ (2,225,583)
State's proportionate share of the net pension asset associated with the employer	(9,649,222)	(1,423,092)
TOTAL	\$ (11,075,782)	\$ (3,648,675)

At June 30, the city's proportionate share of the State Sponsored plans collective net pension liabilities was as follows:

	Proportionate Share 6/30/2019	Proportionate Share 6/30/2020	Change in Proportion
PERS 1	0.068797 %	0.070136 %	0.001339 %
PERS 2/3	0.088691	0.090754	0.002063
LEOFF 1	0.074750	0.075539	0.000789
LEOFF 2	0.115940	0.109105	-0.006835

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the city recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 217,913
PERS 2/3	200,462
LEOFF 1	(87,296)
LEOFF 2	221,017
Firemen's Pension	93,936

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pers 1	Deferred Outflows	Deferred Inflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (13,786)
Contributions subsequent to the measurement date	\$ 249,584	\$ 0
Total	\$ 249,584	\$ (13,786)

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 415,511	\$ (145,462)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (58,946)
Change of assumptions	\$ 16,532	\$ (792,853)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 455,637	\$ (12,622)
Contributions subsequent to the measurement date	\$ 409,025	\$ 0
Total	\$ 1,296,705	\$ (1,009,883)

LEOFF 1	Deferred Outflows	Deferred Inflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (14,922)
Total	\$ 0	\$ (14,922)

LEOFF 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 307,946	\$ (39,473)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (24,806)
Change of assumptions	\$ 3,224	\$ (344,619)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 312,255	\$ (91,683)
Contributions subsequent to the measurement date	\$ 118,264	\$ 0
Total	\$ 741,689	\$ (500,581)

There were no deferred inflows or outflows for the Firemen's Pension Fund as of December 31, 2020

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
2021	(62,563)	(411,347)	(53,266)	(50,581)
2022	(1,968)	(32,230)	(2,777)	(5,583)
2023	19,090	103,523	15,142	49,377
2024	31,655	187,291	25,979	90,902
2025	0	39,769	0	1,479
Thereafter	0	(9,210)	0	37,249

NOTE 7. RISK MANAGEMENT

Medical:

The City of Wenatchee is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2020, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

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 an insurance risk pool and 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.

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 by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2020, 103 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 coverages, with the exception of pollution liability, 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, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, 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 \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through Lexington Insurance Company and CHUBB in 2020, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, Lexington provides excess insurance up to \$50 million, and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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, 2020, the City had accrued the following amounts for outstanding claims:

Incurred/ Reported	Incurred but not Reported	Total Claims Payable
13,130	100,000	113,130

The following schedule presents changes in claims liabilities:

	Property & Casualty	
	2020	2019
Claims liabilities, January 1	129,418	107,211
Claims and operating expenses:		
Incurred during current year	124,620	92,665
Paid	(140,908)	(70,458)
Claims liabilities, December 31	113,130	129,418

NOTE 8. SHORT-TERM DEBT

The City had no short-term debt as of December 31, 2020.

NOTE 9. LONG-TERM DEBT

The City's long-term debt consists primarily of general obligation bonds and loans, revenue bonds and loans, local improvement district bonds, pension liabilities, asset retirement obligations, and accrued employee leave benefits related to vacation and sick leave.

A. General Obligations Bonds and Loans

- **Limited Tax General Obligation (LTGO) Bonds** – Consist of three outstanding 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:
 - Taxable LTGO private placement issued in 2015 to refinance \$430,000 convention center portion of the 2007 bond issue, refinance the 2007 private placement, and issued \$2.1 million of new debt to provide convention center upgrades. The refunding's were undertaken to transition the Center's management contract from a services contract to a commission based contract. The 2007 private placement has been paid in full and the liability has been removed from the City's governmental column of the financial statements.
 - Bonds issued in 2016 refinanced \$1.97 million of the 2007 issue and issued \$7.085 million in new Local Revitalization Financing (LRF) debt to refinance LRF commitments and loans of \$1.445 million and issue new debt of \$6.2 million to finance improvements (parking, pedestrian accessibility, and Pybus land purchase) in the LRF area. The bonds were issued at a premium of \$770,103 (\$146,392 refinancing and \$623,711 LRF). The refinancing debt was \$1.92, million a saving of \$50,000 and all proceeds purchased US Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, 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. The entire \$1.97 million was paid in 2017.
 - Bonds issued in 2019 to finance the purchase and remodel of the new City Hall building, and finance street improvements in the Wenatchee foothills. The bonds were issued at a premium of \$2,000,466. Of the \$14,000,000 in bond proceeds, \$12,000,000 is dedicated to the new City Hall remodel, and \$2,000,000 is dedicated to the foothills street improvements.
- **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.
- **Community Economic Revitalization Board Loan** – In 2018, the City was awarded a loan for the purchase of property to extend McKittrick Street. These bonds are expected to be repaid by the General fund.
- **Washington Department of Commerce – 2018 Public Works Trust Fund Loan (PWTF)** – The City entered into a loan agreement with the Public Works Board for a low interest loan (1.66% over 20 years) to finance the Miller Street sewer improvement project. The agreement allows the City to draw up to \$4,826,089 in loans. As of 12/31/2020 the City had drawn a total of \$625,103, of which \$138,367 was general obligation.

General obligation bonds and loans currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Average Installment
Convention Center Improvements and Refunding Bonds	2015 - 2029	4.5% - 5.5%	4,277,000	374,000
Public Services Center Construction / Local Revitalization Area Improvements	2016 - 2037	2% - 4%	9,005,000	609,895
New City Hall / Streets	2017 - 2027	4% - 5%	12,180,000	580,000
Police Station Construction	2013 - 2021	1.4% - 3.6%	2,649,850	139,500
CERB Loan, Development Projects	2020 - 2039	2.50%	859,409	55,129
PWTF Loan, Development Projects	2019 - 2038	1.66%	138,367	7,327

The annual debt service requirements to maturity for general obligation bonds and loans are as follows:

Year Ending December 31	General Obligation Bonds		CERB Loan		PWTF Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	1,226,706	801,044	34,484	21,381	7,328	2,114
2022	1,015,000	764,450	35,347	20,519	7,328	2,068
2023	1,016,000	731,796	36,230	19,635	7,328	1,947
2024	1,053,000	699,239	37,136	18,730	7,328	1,825
2025-2029	5,336,000	2,890,227	200,079	79,249	36,639	7,300
2030-2034	5,570,000	1,838,400	226,371	52,957	36,639	4,258
2035-2039	5,765,000	652,200	256,118	23,210	32,181	1,217
	20,981,706	8,377,354	825,766	235,682	134,770	20,729

As of December 31, 2020, the city has \$31,480 available in debt service funds to service the general bonded debt.

B. Revenue Bonds and Loans

- 2011 Water/Sewer/Storm Revenue Bonds - Issued in 2011 to finance \$18,705,000 of Water, Sewer, and Storm Drain capital improvements and refund revenue bonds issued in 1998. The bonds were issued at a premium of \$720,467. The bonds are being repaid by operating revenues of the individual proprietary funds that are benefitting from the related capital projects.
- 2018 Sewer Revenue and Water/Sewer Refunding Bonds - Issued in 2018 to refinance \$3,130,000 of the 2007 Water/Sewer Revenue Bonds and issued \$12,525,000 in new Sewer debt to finance facility improvements and sewer expansion. The bonds were issued at a premium of \$1,899,284 (\$271,929 refinancing and \$1,627,355 new bonds). The refinancing debt was \$2,910,000 a net present value saving of \$230,532 and all proceeds purchased US Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The bonds are being repaid by operating revenue of the individual proprietary funds that are benefitting from the related capital projects.
- 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 and the proceeds were used to upgrade the 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 – 2013 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 two sewer improvement projects. The City completed construction of both projects in 2013 and the repayment period ends June 1, 2031.
- Washington Department of Commerce – 2018 Public Works Trust Fund Loan (PWTF) – The City entered into a loan agreement with the Public Works Board for a low interest loan (1.66% over 20 years) to finance the Miller Street sewer improvement project. The agreement allows the City to draw up to \$4,826,089 in loans. As of 12/31/2020 the City had drawn a total of \$625,103, of which \$486,736 was revenue debt related to the Storm Drain fund.

Revenue debt currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Average Installment
Water / Sewer Improvements & Refunding Bonds	2011 - 2030	3% - 5%	18,705,000	1,320,000
Sewer Improvements & Refunding Bonds	2018 - 2038	3% - 5%	15,435,000	1,163,830
State Revolving Loan, Sewer Improvements	2007 - 2026	1.50%	7,391,665	440,000
Public Works Trust Fund Loan, Sewer Improvements	2012 - 2031	0.50%	1,870,000	102,000
Public Works Trust Fund Loan, Sewer Improvements	2012 - 2031	0.50%	765,000	44,000
Public Works Trust Fund Loan, Stormwater Improvements	2019 - 2038	1.66%	486,736	25,777

Revenue debt service requirements to maturity are as follows:

Year Ending December 31	Revenue Bonds		State Revolving Fund		PWTF Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	1,550,000	1,107,369	403,558	36,325	166,528	11,305
2022	1,730,000	1,040,769	409,654	30,230	166,530	10,793
2023	1,790,000	974,219	415,840	24,043	166,528	10,013
2024	1,695,000	894,769	422,121	17,762	166,528	9,233
2025-2029	8,955,000	3,286,219	863,464	16,302	832,640	34,469
2030-2034	4,940,000	1,466,175			410,387	16,031
2035-2039	3,705,000	472,050			100,238	4,279
	24,365,000	9,241,569	2,514,637	124,662	2,009,379	96,123

As of December 31, 2020, restricted assets in the proprietary funds contain \$3,282,140 in sinking funds and reserves as required by bond indentures.

- C. Special Assessment or Local Improvement District (LID) Bonds have been issued to finance construction projects for sewers, sidewalks, etc. requested by citizens and benefit specific locations within our community. These bonds are repaid with the proceeds of annual billings assessed against property owners who benefited from the improvements. In the event of nonpayment 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, 2020 the LID Guaranty Fund had a fund balance of \$130,747.

Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2021	18,423	11,110
2022	18,423	10,086
2023	18,423	9,061
2024	18,423	8,037
2025-2029	92,115	24,820
2030-2031	34,012	2,758
	199,819	65,872

In 2011 the City completed the following two LID projects: Poplar Sewer Improvements of \$96,696 and Riverside Drive Street Improvements of \$2,550,555. The City's Water Sewer, Cemetery Endowment and Firemen's Pension Funds purchased these bonds. The Poplar Sewer bonds were paid off in 2020.

- D. Employee leave benefits (otherwise known as compensated absences) account for the underlying liability related to the accumulation of accrued vacation and sick leave.
- E. 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 known as Rivercom. Rivercom is a multi-jurisdictional public safety answering point that was formed through an Interlocal Cooperative Agreement including participation of 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 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 is 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, and City's obligation as of December 31, 2020 is \$86,250. These bonds mature in 2022.
- F. 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 under this agreement. The outstanding obligation under this agreement is \$2.2 million.

- G. **Bond Ratings.** As a part of the bond issuance process, for each bond issued since 1997 the City has met with representatives of Moody's or Standard and Poor's to make rating presentations and ultimately receive a rating. These ratings are periodically reviewed and updated by each rating agency. As of December 31, 2020 Standard & Poor's rates the City as AA- for both revenue bonds and UTGO/LTGO bonds.

Changes in Long-Term Liabilities

During the year ended December 31, 2020, the following changes in long-term liabilities occurred:

	Outstanding 1/1/2020	Additions	Reductions	Outstanding 12/31/2020	Due Within One Year
Governmental Activities					
Bonds and Loans Payable					
U.T.G.O. bonds	618,476	-	303,770	314,706	314,706
L.T.G.O. bonds	21,581,000	-	914,000	20,667,000	912,000
WA State CERB Loan	859,409	-	33,643	825,766	34,484
WA State PWTF Loan	68,350	70,017	3,597	134,770	7,328
Special assessment debt	203,821	-	4,002	199,819	-
Unamortized premium	2,546,283	-	138,269	2,408,014	
Total Bonds and Loans Payable	25,877,339	70,017	1,397,281	24,550,075	1,268,518
Net pension liability	2,322,312	1,394,575	-	3,716,887	-
Total OPEB liability	11,885,595	2,133,194	515,297	13,503,492	-
Compensated absences	1,554,917	38,629	-	1,593,546	-
Government activity long-term debt	41,640,163	3,636,415	1,912,578	43,364,000	1,268,518
Business-Type Activities					
Bonds and Loans Payable					
Revenue bonds	25,620,000	-	1,255,000	24,365,000	1,550,000
SRF Loan	2,912,186	-	397,549	2,514,637	403,558
PWTF Loans	2,175,751	-	166,372	2,009,379	166,528
Unamortized premium	2,141,476	-	145,690	1,995,786	-
Total bonds and loans payable	32,849,413	-	1,964,611	30,884,802	2,120,086
Asset retirement liability	5,500,000	-	-	5,500,000	-
Net pension liability	1,184,667	-	44,576	1,140,091	-
Compensated absences	348,549	17,629	-	366,178	-
Business-type activity long-term debt	39,882,629	17,629	2,009,187	37,891,071	2,120,086

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included in the above totals for governmental activities. At year end \$227,084 of internal service funds compensated absences are included in the above amounts. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General fund.

NOTE 10. LEASES

Operating Leases

The City leases equipment under non-cancelable operating leases. The total cost for such leases was \$39,844 for the year ended December 31, 2020. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Equipment Leases
2021	29,688
2022	29,004
2023	20,777
2024	11,804
2025	9,353

NOTE 11. CONTINGENCIES

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.

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, 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 agreed to reserve debt capacity for this potential obligation for 20 years after debt issuance at \$200,000 per year. The obligation outstanding at December 31, 2020 is \$2.2 million. 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.

NOTE 12. 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 includes loans and transfers.

Interfund Balances

Due to/from other funds represent receivables and payables between funds for 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, 2020, are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant	27,938
General Fund	Homeless	136,864
General Fund	UTGO Bonds	5,856
Total		170,658

Interfund loans receivable and payable represent loans between funds that have been approved by a City Council resolution and are supported with a specific repayment plan. At December 31, 2020 the loans outstanding are as follows:

Interfund Receivable/Payable			
Receivable Fund	Payable Fund	Total	To be Repaid in 2021
General Fund	Economic Development Capital Projects	1,500,000	Undetermined
Sewer Fund	Economic Development Capital Projects	3,700,000	Undetermined
Total		5,200,000	-

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 2020 the following transfers in/out occurred:

Transfers From:	Transfers To:					Total
	General	New City Hall Remodel	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General	-	-	3,954,200	261,000	835,155	5,050,355
Nonmajor governmental	-	-	1,446,680	-	-	1,446,680
Water	104,450	-	-	-	-	104,450
Sewer	104,450	-	-	-	-	104,450
Storm Drain	32,400	-	-	-	-	32,400
Internal Service	-	2,684,213	-	-	-	2,684,213
Total transfers	241,300	2,684,213	5,400,880	261,000	835,155	9,422,548

Significant transfers that occurred during 2020 include:

- Transfers from property tax revenues in the General Fund to the Street Maintenance Fund of \$3,000,000 to support street maintenance.
- Transfers from various funds to the LTGO Debt Service Fund of \$1,764,423 to make the required annual debt service payments.
- Transfer of \$2,684,213 from the Facilities Maintenance internal service fund to the City Hall Remodel capital project fund to support the remodel of the old City Hall for the Social Security Administration.

NOTE 13. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

In addition to pension benefits discussed in note 6, the City of Wenatchee administers a single employer defined benefit plan covering post-retirement healthcare and long-term care in accordance with State statute for retired police and fire employees 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.

The following table represents the aggregate OPEB for all plans subject to the requirements of GASB Statement 75 for the year 2020:

Aggregate OPEB Amounts	
OPEB liability	\$ 13,503,492
OPEB assets	\$ 0
Deferred outflows of resources	\$ 0
Deferred inflows of resources	\$ 0
OPEB expense	\$ 2,133,194

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, 2020, the number of individuals eligible for this benefit is as follows:

	Active	Retired	Total	Medicare Eligible
Fire	0	14	14	12
Police	0	14	14	14
	0	28	28	26

Funding Policy

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

- The City pays the Part B premium for those 26 individuals that are Medicare eligible, which results in Medicare being the primary payer for related medical claims.
- The City pays for medical insurance coverage for all members. If the individual is Medicare eligible, Medicare is the primary payer, if not the insurance provider is considered primary.
- Finally, the City reimburses the retiree for those medical claims that are not covered by either Medicare or insurance.

Under the Revised Code of Washington, costs related to medical, hospital and nursing care are also covered for all LEOFF 1 retirees for their lifetime. Employer contributions are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Actuarial Assumptions

The actuarial assumptions used in the January 1, 2020 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, 2020. Actuarial cost method: entry age normal. Discount rate: 2.00%. Long-term care trend rate: 4.5%. Medical trend varies between 2.8% and 5.0% from 2020 through 2070, grading down to an ultimate of 3.7%. Mortality calculations used the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members).

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate at December 31, 2020:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$ 15,557,077	\$ 13,503,492	\$ 11,824,005

The following present the total OPEB liability of the City calculated using the current healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 11,914,399	\$ 13,503,492	\$ 15,384,407

Change in the Total OPEB Liability

The City had a full actuarial valuation performed for the plans as of January 1, 2020, with a measurement date of December 31, 2019 to determine the funding status of the plan as of that date. An update was recently performed with a valuation date of January 1, 2020 and a measurement date of December 31, 2020 to bring the plan valuation into compliance with GASB Standard 75. The resulting OPEB calculation is depicted in the table below:

Change in Total OPEB Liability	
Total OPEB Liability at 12/31/2019	\$ 11,885,595
Changes for the year:	
Service Cost	-
Interest on total OPEB liability	319,817
Effect of plan changes	-
Effect of economic/demographic gains or losses	1,688,257
Effect of assumptions changes or inputs	125,120
Expected benefit payments	(515,297)
Total OPEB Liability at 12/31/2020	13,503,492

During 2020 the City purchased medical and prescription insurance coverage for those covered by the OPEB plan at a cost of \$211,181. In addition to this, the City reimbursed Medicare premiums to the qualifying participants in the amount of \$42,903. After all insurance carriers had been billed, the City was responsible for an additional \$119,783 in non-covered out of pocket costs sustained by plan members.

There were no significant changes in assumptions or in the plan obligations during the reporting period. The City had no deferred outflow or deferred inflows for the reporting period.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumption 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 presents the results of OPEB valuations as of January 1, 2020 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.

NOTE 14. ASSET RETIREMENT OBLIGATIONS

The City has several agreements providing water, sewer, and storm drain utility pipe easements along and under various sections of railroad tracks. These agreements obligate the city to remove or fill the utility pipes when the City removes the asset from the easement. City utility staff estimated the cost of removing each pipe based on the size of the pipe and difficulty of removal. Utility staff also estimated the useful lives of these easements at 100 years from the date of agreement or placement of the asset. The remaining useful lives of the assets vary between 41 and 92 years. The City expects to fund these obligations on a pay-as-you-go basis and therefore has no restricted assets set aside for the payment of the obligations. Similar to other utility capital projects, the costs for these obligations will be incorporated into the comprehensive plans of each utility and paid out of utility reserves acquired through user fees.

NOTE 15. JOINT VENTURES

The City of Wenatchee participates in Rivercom, a joint venture, which was created with an interlocal agreement to build and operate a regional 911 communications center. The other participants in this venture include: Chelan County, Douglas County, and the City of East Wenatchee. Rivercom charges the participants a fee based on the volume of calls generated by each participant. The fees are designed to cover Rivercom's costs. In addition to the fees, the participants provide their 911 tax revenues to the organization. Based on the interlocal agreement, the City of Wenatchee has a 25% equity interest in Rivercom. During 2020, Rivercom received total revenues of \$7,541,967 and incurred total expenses of \$6,791,391 resulting in an increase in fund balance of \$750,576, and ending fund balance of \$13,571,873. Rivercom produces financial statements using a cash basis of accounting. One-quarter of revenues, expenses, and fund balance are included in the full accrual government-wide financial statements. A copy of Rivercom's financial statements can be obtained from Rivercom at: PO Box 3344, Wenatchee, WA 98807 or (509) 662-4650.

NOTE 16 – PRIOR PERIOD CORRECTIONS

A. Firemen's Pension GASB 73

The Firemen's Pension plan was previously reported under GASB 67 and 68 in a Pension Trust Fund. After further analysis, it was determined that the City's pension plan was not a qualifying trust, and therefore GASB 73 was the appropriate standard to report this retirement plan. The balances previously reported as a pension trust fund have now been combined in the General fund. This change increased the fund balance of the General Fund by \$1,510,309. Since the Firemen's Pension liability and assets were previously included in the Governmental Activities Statement of Net Position, there was no prior period correction required for this on the Statement of Activities. The pension notes have been updated and prior year information in the required supplementary information has been restated.

B. Enterprise Fund Asset Corrections

During 2020, corrections to enterprise fund assets were addressed after reviewing current capitalization thresholds. Assets were identified in the Water, Sewer, and Regional Water funds that did not meet current capitalization thresholds. Many of these assets should have been expensed when the prior capitalization occurred. In addition, some assets should have been identified as obsolete in prior years. These corrections decreased the net assets of the Water Fund by \$1,493,202, Sewer Fund by \$133,185, and the Regional Water Fund by \$178,343, for a total adjustment that decreases net position by \$1,804,730 in the Business-Type Activities column of the Statement of Activities.

NOTE 17 – SUBSEQUENT EVENTS

A. Refunding Debt

On May 28, 2021, the City closed on the sale of \$7,660,000 of Water and Sewer Refunding Bonds, Series 2021 to refund \$8,905,000 the 2011 Water/Sewer Revenue Bonds. The Water, Sewer, and Storm Drain funds will realize net present value savings of \$1,683,185 over the next 10 years of scheduled debt service payments.

B. State Treasurer Separately Managed Accounts

On January 29, 2021, the City entered into an agreement with the Office of the State Treasurer to move \$25,000,000 of the City's excess Local Government Investment Pool funds into a Separately Managed Account investment portfolio administered by the Office of the State Treasurer. The Separately Managed Account program invests in securities that have the same credit quality as US Treasury Securities, Government Sponsored Enterprises and the Supranational Institutions. The investment strategies match that of the States Core Portfolio. The initial \$25,000,000 will slowly be invested in securities during the course of 2021. The \$25 million represents less than 40% of the City's cash and investment balances.

C. COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time. However, despite early uncertainty and a short-term slowing of revenues due to the COVID-pandemic, overall revenues are exceeding 2020 figures and the City does not expect to experience a negative financial impact due to the pandemic. The City's current operations have returned to be substantially the same as they were prior to the pandemic.

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2020
Last 10 fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	0	0	0
Interest on total OPEB liability	319,817	394,196	369,895
Change of benefit terms	0	0	0
Effect of economic/demographic gains or losses	1,688,257	0	0
Effect of assumptions changes or inputs	125,120	1,832,334	(723,379)
Expected benefit payments	<u>(515,297)</u>	<u>(387,865)</u>	<u>(333,200)</u>
net change in total OPEB liability	1,617,897	1,838,665	(686,685)
 Total OPEB Liability, beginning	 <u>11,885,595</u>	 <u>10,046,930</u>	 <u>10,733,614</u>
Total OPEB Liability, ending	<u>13,503,492</u>	<u>11,885,595</u>	<u>10,046,930</u>
 Covered employee payroll	 0	 0	 0
 Total OPEB liability as a % of covered employee payroll	 N/A	 N/A	 N/A

*Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB 75.

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS
FIREMEN'S PENSION FUND
For the year ending December 31, 2020
Last 10 Fiscal Years *

	2020	2019	2018	2017
Total pension liability - beginning	1,205,840	1,161,349	1,262,832	1,315,226
Interest on total pension liability	31,714	44,409	42,455	44,148
Effect of economic/demographic gains or losses	22,014	-	-	12,094
Effect of assumptions, changes or inputs	66,526	103,357	(43,435)	-
Benefit payments	(105,986)	(103,275)	(100,503)	(108,636)
Net change in total pension liability	14,268	44,491	(101,483)	(52,394)
Total pension liability - ending	1,220,108	1,205,840	1,161,349	1,262,832
Covered payroll	-	-	-	-
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A

* Until a full 10-year trend is compiled, only information for those years available is presented.

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 68.

Benefit payments in years 2017 - 2019 are equal to actual payouts.

Benefit payments in year 2020 are estimated based on expected payouts.

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE SPONSORED PENSION PLANS
As of June 30, 2020
Last 10 Fiscal Years *

	2020	2019	2018	2017	2016	2015
PERS 1						
City's proportion of the net pension liability (asset)	0.070136%	0.068797%	0.066077%	0.058982%	0.060722%	0.065437%
City's proportionate share of the net pension liability	2,476,180	2,645,489	2,951,021	2,798,742	3,261,057	3,422,964
Covered payroll	10,605,215	9,650,521	8,829,446	8,134,877	7,054,126	7,336,424
City's proportionate share of the net pension liability as a percentage of covered employee payroll	23.35%	27.41%	33.42%	34.40%	46.23%	46.66%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3						
City's proportion of the net pension liability (asset)	0.090754%	0.088691%	0.084205%	0.075033%	0.074763%	0.081164%
City's proportionate share of the net pension liability	1,160,692	861,491	1,437,725	2,607,038	3,764,258	2,900,036
Covered payroll	10,601,225	9,641,876	8,821,466	8,098,743	6,927,802	7,202,866
City's proportionate share of the net pension liability as a percentage of covered employee payroll	10.95%	8.93%	16.30%	32.19%	54.34%	40.26%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	85.82%
LEOFF 1						
City's proportion of the net pension liability (asset)	0.075539%	0.074750%	0.074351%	0.075717%	0.077205%	0.077203%
City's proportionate share of the net pension liability	(1,426,561)	(1,477,517)	(1,349,844)	(1,148,793)	(795,432)	(930,467)
State's proportionate share of the net pension liability (asset) associated with the City	(9,649,222)	(9,993,886)	(9,130,311)	(7,770,410)	(5,380,284)	-
TOTAL	(11,075,783)	(11,471,403)	(10,480,155)	(8,919,203)	(6,175,716)	(930,467)
Covered payroll	-	-	-	-	-	74,253
City's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	-1253.10%
Plan fiduciary net position as a percentage of the total pension liability	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%
LEOFF 2						
City's proportion of the net pension liability (asset)	0.109105%	0.115940%	0.112178%	0.106158%	0.125999%	0.199133%
City's proportionate share of the net pension liability	(2,225,583)	(2,685,974)	(2,277,458)	(1,473,129)	(732,848)	(2,046,689)
State's proportionate share of the net pension liability (asset) associated with the City	(1,423,092)	(1,758,953)	(1,474,611)	(955,591)	(477,764)	(3,399,963)
TOTAL	(3,648,675)	(4,444,927)	(3,752,069)	(2,428,720)	(1,210,612)	(5,446,652)
Covered payroll	4,137,101	4,054,984	3,741,605	3,495,595	3,817,016	2,791,617
City's proportionate share of the net pension liability as a percentage of covered employee payroll	-88.19%	-109.62%	-100.28%	-69.48%	-31.72%	-195.11%
Plan fiduciary net position as a percentage of the total pension liability	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

* Until a full 10-year trend is compiled, only information for those years available is presented.

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
STATE SPONSORED PENSION PLANS
For the year ended December 31, 2020
Last 10 Fiscal Years *

	2020	2019	2018	2017	2016	2015
PERS 1						
Statutorily or contractually required contributions	501,871	510,023	465,707	421,781	368,462	12,485
Contributions in relation to the statutorily or contractually required contributions	(501,871)	(510,023)	(465,707)	(421,781)	(368,462)	(12,485)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	10,465,877	10,248,848	9,184,239	8,600,020	7,594,451	6,796,546
Contributions as a percentage of covered employee payroll	4.80%	4.98%	5.07%	4.90%	4.85%	0.18%
PERS 2/3						
Statutorily or contractually required contributions	828,975	787,797	688,245	589,745	467,422	667,593
Contributions in relation to the statutorily or contractually required contributions	(828,975)	(787,797)	(688,245)	(589,745)	(467,422)	(667,593)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	10,465,877	10,240,868	9,176,259	8,592,040	7,498,317	6,671,879
Contributions as a percentage of covered employee payroll	7.92%	7.69%	7.50%	6.86%	6.23%	10.01%
LEOFF 2						
Statutorily or contractually required contributions	223,403	216,513	203,012	188,432	179,281	240,031
Contributions in relation to the statutorily or contractually required contributions	(223,403)	(216,513)	(203,012)	(188,432)	(179,281)	(240,031)
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	4,335,896	4,135,438	3,852,710	3,528,864	3,548,399	4,753,084
Contributions as a percentage of covered employee payroll	5.15%	5.24%	5.27%	5.34%	5.05%	5.05%

*Until a full 10-year trend is compiled, only information for those years available is presented.

City of Wenatchee

Expenditures

The accompanying notes are an integral part of this schedule.

City of Wenatchee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUS- 5825(005)	306,723	-	306,723	-	2,4c
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STUPUS-0285	75,631	-	75,631	-	2,4c
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	RAIL-5838(002)	18,522	-	18,522	-	2,4c
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-5338(003)	24,300	-	24,300	-	2,4c
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(519)	26,913	-	26,913	-	2,4c
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-5817(003)	26,702	-	26,702	-	2,4c
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-5802(002)	103,176	-	103,176	-	2,4c
Total Highway Planning and Construction Cluster:				581,967	-	581,967	-	

The accompanying notes are an integral part of this schedule.

City of Wenatchee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Highway Safety Cluster							
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	State and Community Highway Safety	20.600	Distracted Driving	2,002	-	2,002	2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	120-6200-00	10,211	-	10,211	2
		Total CFDA 20.600:		12,213	-	12,213	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	National Priority Safety Programs	20.616	Impaired Driving	1,444	-	1,444	2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	National Priority Safety Programs	20.616	Car Seats	2,059	-	2,059	2
		Total CFDA 20.616:		3,503	-	3,503	
		Total Highway Safety Cluster:		15,716	-	15,716	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-364	1,559,250	-	1,559,250	2
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA State Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	21-4614C-103	1,490,606	-	1,490,606	2,4d
		Total CFDA 21.019:		3,049,856	-	3,049,856	
		Total Federal Awards Expended:		4,010,454	139,374	4,149,828	
						1,868,092	
						1,889,652	

The accompanying notes are an integral part of this schedule.

CITY OF WENATCHEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2020

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 \$10,827.

Note 4 – Indirect Cost Rate

The City has elected not to use the 10% indirect cost rate.

- a. The amount expended includes \$29,426 claimed as an indirect cost recovery using an approved indirect cost rate of 1.41 percent.
- b. The amount expended includes \$16,215 claimed as an indirect cost recovery using an approved indirect cost rate of 1.41 percent.
- c. The amount expended includes \$16,548 claimed as an indirect cost recovery using an approved indirect cost rate of .26 percent.
- d. The amount expended includes \$12,227 claimed as an indirect cost recovery using an approved indirect cost rate of 1.41 percent.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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