Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

City of Wenatchee
Chelan County

Audit Period
January 1, 2010 through December 31, 2010

Report No. 1006435

Issue Date
September 26, 2011

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

September 26, 2011

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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Chelan County
January 1, 2010 through December 31, 2010

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Federal Summary

City of Wenatchee
Chelan County
January 1, 2010 through December 31, 2010

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

FINANCIAL STATEMENTS

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

Internal Control Over Financial Reporting:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the City's compliance with requirements applicable to each of its major federal programs.

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

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
20.205	ARRA - Highway Planning and Construction (Recovery Act)
20.205	Highway Planning and Construction

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

The City qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

City of Wenatchee
Chelan County
January 1, 2010 through December 31, 2010

Mayor and City Council
City of Wenatchee
Wenatchee, Washington

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, Chelan County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 12, 2011.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information and use of management, the Mayor and City Council, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 12, 2011

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

City of Wenatchee
Chelan County
January 1, 2010 through December 31, 2010

Mayor and City Council
City of Wenatchee
Wenatchee, Washington

COMPLIANCE

We have audited the compliance of the City of Wenatchee, Chelan County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2010.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Mayor and City Council, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 12, 2011

Independent Auditor's Report on Financial Statements

City of Wenatchee
Chelan County
January 1, 2010 through December 31, 2010

Mayor and City Council
City of Wenatchee
Wenatchee, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, Chelan County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed on page 9. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Street Fund and Arterial Street Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 10 through 18, pension trust fund on pages 73 through 74 and information on postemployment benefits other than pensions on 75 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 12, 2011

Financial Section

City of Wenatchee
Chelan County
January 1, 2010 through December 31, 2010

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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2010
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2010
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – 2010
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Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Arterial Street Fund – 2010
Statement of Net Assets – Proprietary Funds – 2010
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds – 2010
Statement of Cash Flows – Proprietary Funds – 2010
Statement of Net Assets – Fiduciary Funds – 2010
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REQUIRED SUPPLEMENTAL INFORMATION

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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, 2010. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Wenatchee exceeded its liabilities at the close of the most recent fiscal year by $115,735,668. Of this amount, $18,530,932 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by $1,719,771
- This increase is due in large part to the following:
    - Miller & Washington intersection improvements $320,221
    - North Wenatchee Ave turn lane improvements $322,049
    - WWTP Odor Control & Visual Mitigation – Design $921,063
    - A change in accounting application resulting in a $510,000 adjustment increasing 2009 Net Assets total. Please see the Notes to the Financial Statements, Note 10, Loan Guarantee for further details.
    - A $505,138 increase in the City's pension obligation for pre LEOFF and LEOFF 1 retirees.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of $8,644,555. Approximately 90% of the total amount, or $7,775,153, is available for spending at the government's discretion.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was $3,137,779, or 13.88% of total general fund expenditures and other financing uses of $22,601,753.
- The City's total combined bond and state revolving loan related long-term debt decreased by $2,720,483 (7.98%) during the current fiscal year which was comprised of $306,727 of bond issues and $2,517,209 in bond payments and a decrease of $510,000 due to a change in accounting application.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (including police and fire), transportation, culture and recreation and economic environment. The business-type activities of the City include water and sewer services, storm drain, solid waste services and a cemetery.

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

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

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

During the fiscal year ended December 31, 2010, the City maintained 29 individual governmental funds. Information for the General Fund, Street Special Revenue Fund and Arterial Street Special Revenue Fund (each of which is considered to be a major fund) is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances, and data from the other 26 governmental funds are combined into a single, aggregated presentation of this report.

The City adopts an annual appropriated budget for its governmental funds in accordance with state law on a fund level. Budgetary comparison statements have been provided for the general fund, street special revenue fund and arterial street special revenue fund to demonstrate compliance with this budget is presented in this report.

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting principles used for fiduciary funds are much like that used for proprietary funds.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the City's financial statements..

Other Information
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Wenatchee's progress in funding its obligation to provide both pension benefits to certain retired firefighters as well as medical care and long-term care benefits to retired LEOFF 1 employees. This required supplementary information is included throughout this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 $115,735,668 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets ($95,715,405, or 82.7%) is comprised of its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Wenatchee's Net Assets

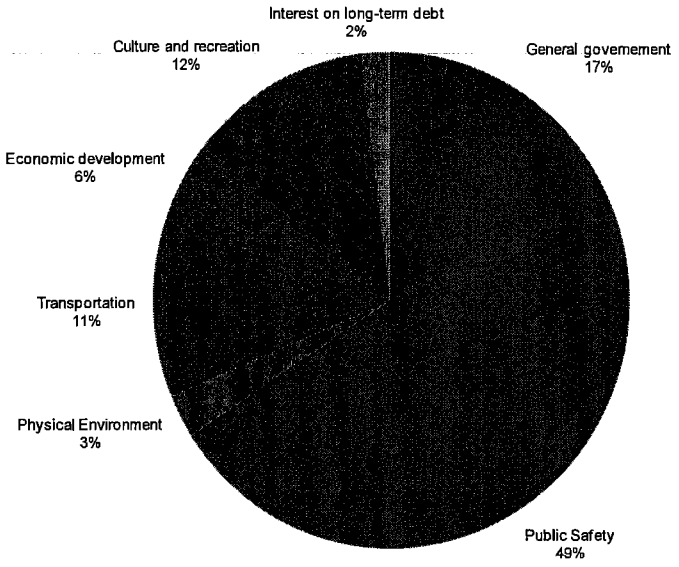
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	$ 14,966,040	$ 15,102,408	$ 9,245,273	$ 9,955,065	$ 24,211,313	$ 25,057,473
Capital assets	71,857,418	72,391,741	55,196,457	55,050,216	127,053,875	127,441,957
Total assets	86,823,458	87,494,149	64,441,730	65,005,281	151,265,188	152,499,430
Liabilities						
Long-term debt	15,973,968	17,002,242	15,364,280	17,056,489	31,338,248	34,058,731
Other liabilities	3,203,415	3,341,087	987,857	1,083,715	4,191,272	4,424,802
Total liabilities	19,177,383	20,343,329	16,352,137	18,140,204	35,529,520	38,483,533
Net Assets						
Invested in capital assets, net of related debt	55,883,450	54,389,499	39,832,177	37,993,727	95,715,627	92,383,226
Restricted	0	0	1,489,109	1,406,916	1,489,109	1,406,916
Unrestricted	11,762,625	12,761,321	6,768,307	7,464,434	18,530,932	20,225,755
Total net assets	$ 67,646,075	$ 67,150,820	$ 48,089,593	$ 46,865,077	$ 115,735,668	$ 114,015,897

City of Wenatchee's Changes in Net Assets

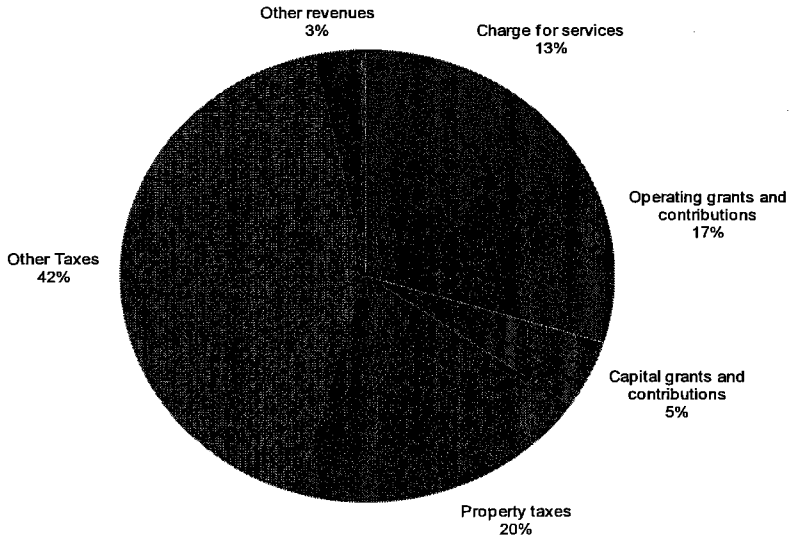
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charge for services	$ 3,724,823	$ 4,358,084	$ 12,278,109	$ 12,652,570	$ 16,002,932	$ 17,010,654
Operating grants and contributions	4,904,700	5,742,667	60,877	109,794	4,965,577	5,852,461
Capital grants and contributions	1,449,660	4,960,354	145,036	0	1,594,696	4,960,354
General revenues:						
Property taxes	5,734,557	5,746,345	0	0	5,734,557	5,746,345
Other Taxes	12,235,632	12,235,322	0	0	12,235,632	12,235,322
Other revenues	982,618	3,868,250	30,380	87,676	1,012,998	3,955,926
Total revenues	29,031,990	36,911,022	12,514,402	12,850,040	41,546,392	49,761,062
Expenses:						
General govemement	4,982,148	3,196,437	0	0	4,982,148	3,196,437
Public Safety	14,230,478	14,229,020	0	0	14,230,478	14,229,020
Physical Environment	853,430	1,445,448	0	0	853,430	1,445,448
Transportation	3,336,745	3,045,590	0	0	3,336,745	3,045,590
Economic development	1,600,682	1,880,968	0	0	1,600,682	1,880,968
Culture and recreation	3,620,698	3,821,745	0	0	3,620,698	3,821,745
Interest on long-term debt	573,754	625,478	0	0	573,754	625,478
Water/Sewer	0	0	7,248,767	7,539,319	7,248,767	7,539,319
Storm Drain	0	0	936,251	953,104	936,251	953,104
Regional Water	0	0	745,350	747,409	745,350	747,409
Solid Waste	0	0	1,937,260	1,827,041	1,937,260	1,827,041
Cemetery	0	0	271,058	270,874	271,058	270,874
Total expenses	29,197,935	28,244,686	11,138,686	11,337,747	40,336,621	39,582,433
Increase in net assets before transfers	(165,945)	8,666,336	1,375,716	1,512,293	1,209,771	10,178,629
Transfers	151,200	51,800	(151,200)	(51,800)	0	0
Increase in net assets	(14,745)	8,718,136	1,224,516	1,460,493	1,209,771	10,178,629
Accounting Change	510,000	0	0	0	510,000	0
Net assets January 1,	67,150,820	58,432,684	46,865,077	45,404,584	114,015,897	103,837,268
Net assets December 31,	$ 67,646,075	$ 67,150,820	$ 48,089,593	$ 46,865,077	$ 115,735,668	$ 114,015,897

Governmental Activities. Governmental activities decreased the City of Wenatchee's net assets by $14,745, thereby reducing the City's net assets by 1.2%.

Expenses – Governmental Activities

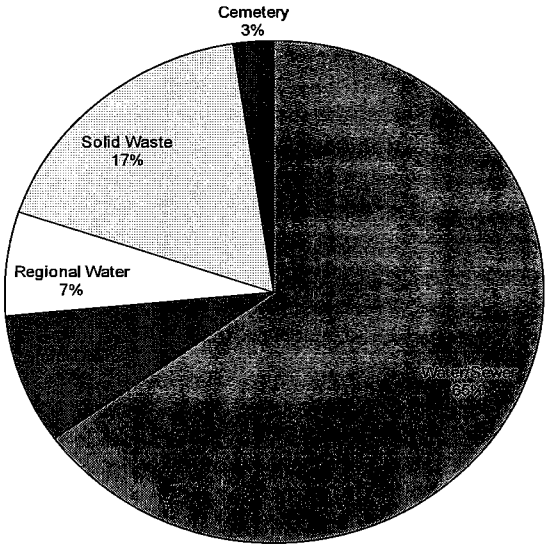


Revenues by Source – Governmental Activities

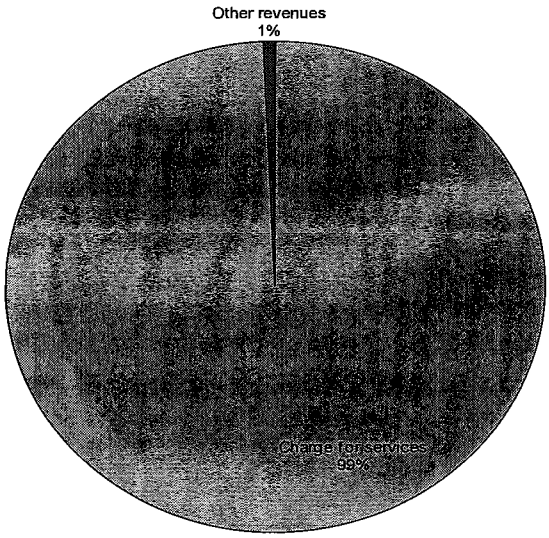


Business-type Activities. Business-type activities increased City of Wenatchee's net assets by $1,224,516, accounting for 101% of total growth in the government's net assets.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



FINANICAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The General Fund, Street Fund and Arterial Street Fund made up the City's major funds during the most recent fiscal year. Together these three funds account for $5,726,493 (or 51.57%) of total governmental fund assets of $11,103,344, and $4,302,001 (or 50%) of the total governmental fund's fund balance of $8,644,555.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $8,644,555. Of this figure, $7,775,153 (or 89.94%) constitutes unreserved fund balance that is available for spending within the designated funds. The remaining fund balance of $869,402 is reserved to indicate that it is not available for new spending because it has already been committed for other purposes.

The general fund is the chief operating fund of the City of Wenatchee. At the end of the current fiscal year, the total fund balance of the General Fund was $3,180,608 and the unreserved fund balance was $3,137,779. As a measure of the general fund's liquidity, it may be useful to compare both the total fund balance and unreserved fund balance to the total of fund expenditures and other financing uses. As of December 31, 2010, the total fund balance represented 14.07% of total general fund expenditures and the unreserved fund balance represented 13.88% of total general fund expenditures. A recent history of reserve percentages is as follows:

Year	Total Fund Balance	Unreserved Fund Balance	Expenditures and other Financing Uses	Fund Balance as a % of Expenditures	
				Total	Unreserved
2010	3,180,608	3,137,779	22,601,753	14.07%	13.88%
2009	3,424,573	3,381,044	22,217,904	15.41%	15.22%
2008	3,617,349	3,573,820	23,283,905	15.54%	15.35%
2007	5,109,243	5,065,714	20,593,554	24.81%	24.60%
2006	5,068,573	5,025,623	18,407,024	27.54%	27.30%

The fund balance of City's amended General Fund budget was anticipated to decrease by $236,032 in 2010 but actually decreased by $243,965, a $7,933 change from the budget.

The Street Fund budget was adopted and amended with the expectation that the fund balance would decrease by $167,900 from $630,871 at the end of 2009 to $462,971 at the end of 2010. The actual fund balance at the end of 2010 was $462,592 which was $379 less than anticipated.

The Arterial Street Fund budget was adopted and amended with the expectation that the fund balance would increase by $920,390 from $126,139 at the end of 2009 to $1,046,529 at the end of 2010. The actual fund balance at the end of 2010 was $658,801 which was $387,728 less than anticipated. The change in fund balance is a result of intergovernmental revenues being $393,114 (20%) less than anticipated.

Proprietary funds. The Water/Sewer Utility Fund, Storm Drain Utility Fund and the Regional Water Fund made up the City's major business-type funds during the most recent fiscal year. Together these three funds accounted for $63,778,190 (98.9%) of total enterprise fund assets of $64,457,644. These funds also accounted for $47,497,926 (98.7%) of total enterprise fund net assets of $48,089,593.

Unrestricted net assets of the Water/Sewer Utility Fund at the end 2010 were $4,462,413 as compared to $5,495,815 at end of 2009 for a total decrease of $1,033,402.

Unrestricted net assets of the Storm Drain Utility at the end of 2010 were $235,937 as compared to $138,211 at the end of 2009 for a total increase of $97,726.

Unrestricted net assets of the Regional Water Fund at the end of 2010 were $1,858,433 as compared to $1,551,189 at the end of 2009 for a total increase of $307,244.

GENERAL FUND BUDGETARY HIGHLIGHTS

Appropriations (Expenses)

Through the course of the year General Fund appropriations were amended upward from $22,649,950 to $22,879,937 for a total increase of $333,536. The increase was due in part to the increase in expenses related to grant funding $230,756 and $94,300 increase related to the addition of photo enforcement cameras.

Revenue Estimates

General Fund revenues were amended upward from $22,450,475 to $22,643,905 for a total increase of $193,430. The amendment was comprised, in part, of following changes:

- A $392,700 decrease in sales tax revenues that was dictated by the downturn in the economy and the resultant reduction in sales throughout the City.
- A $116,000 decrease in license and permit revenues recognizing that building permit activity was less than anticipated.
- A $215,986 increase in intergovernmental revenues that are largely the result of the receipt of grants including $167,639 in police dept grants, $47,562 in fire dept grants.
- A $47,500 decrease in charge for services due to $2,000 increase is planning related charges and $49,500 decrease in interfund professional service fees.
- A $248,000 increase in fines and forfeits due to the addition of the red light camera program.
- A $299,773 increase in miscellaneous revenues resulting from the dissolution of the jail operation partnership with Chelan County.

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, 2010, amounts to $127,053,875 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and streets. Major capital asset events during the current fiscal year included the following:

- Miller & Washington Intersection $320,221
- North Wenatchee Avenue Turn Lane $322,049
- WWTP Odor Control & Visual Mitigation – Design $921,063

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 9,201,679	9,201,679	$ 1,421,715	1,421,716	$ 10,623,394	10,623,395
Buildings and system	23,578,157	24,156,200	50,863,622	49,677,360	74,441,779	73,833,560
Improvements other than buildings	2,282,024	2,401,689	14,509	15,294	2,296,533	2,416,983
Machinery and equipment	3,754,321	4,190,948	1,343,826	1,961,700	5,098,147	6,152,648
Infrastructure	32,809,745	32,105,192	0	0	32,809,745	32,105,192
Construction in progress	231,492	336,033	1,552,785	1,974,146	1,784,277	2,310,179
Total	$ 71,857,418	$ 72,391,741	$ 55,196,457	$ 55,050,216	$ 127,053,875	$ 127,441,957

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

Long-term Debt. At the end of the current fiscal year, the City of Wenatchee had bond and state revolving loan related long-term debt of $31,338,248. Of this amount, $$13,196,629 is comprised of general obligation bonds issued by the City that are backed by the full faith and credit of the government, $2,777,340 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, $9,130,000 represents revenue bonds secured solely by utility revenue sources, and $6,234,280 represents a Washington Department of Ecology State Revolving Fund (SRF) Loan that was used to renovate our wastewater treatment plant. This SRF loan repayment will be repaid solely by utility revenue sources.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	15,935,257	16,443,531	0	0	15,935,257	16,443,531
Loan Guaranty	0	510,000	0	0	0	510,000
Speciall assessment debt	38,711	48,711	0	0	38,711	48,711
Revenue bonds	0	0	9,130,000	10,480,000	9,130,000	10,480,000
State Loans	0	0	6,234,280	6,576,489	6,234,280	6,576,489
Total	15,973,968	17,002,242	15,364,280	17,056,489	31,338,248	34,058,731

The City's total bond related long-term debt decreased by $2,720,483 (8%) during the current fiscal year. The decrease is the result of:

- A decrease of $2,517,209 from making regularly scheduled debt service payments.
- An increase of $306,727 for draws on a bond anticipation note initiated in 2008, and
- A removal of $510,000 in loan guarantee that has been determined to not qualify as debt.

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

Bond Type	Moody's	Standard & Poor's
Revenue	A1	AA-
Unlimited Tax General Obligation (UTGO)	Aa3	A
Limited Tax General Obligation (LTGO)	A1	A

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

REQUESTS FOR INFORMATION

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business Activities	Total	Public Facilities District
ASSETS				
Cash and cash equivalents	$ 9,542,936	$ 6,242,531	$ 15,785,467	$ 755,591
Cash with Fiscal Agent	30,000	0	30,000	0
Receivables (net)	4,662,921	1,091,746	5,754,667	215,659
Internal Balances	2,778	(2,778)	0	0
Inventories	17,864	252,313	270,177	0
Prepaid Expenses	0	0	0	63,111
Unamoritized debt issue costs/premiums	57,348	172,352	229,700	83,316
Restricted assets				
Cash	652,193	1,489,109	2,141,302	0
Capital assets				
Land	9,201,679	1,421,715	10,623,394	1,706,915
Buildings and system (net)	23,578,157	50,863,622	74,441,779	44,726,217
Other improvements (net)	2,282,024	14,509	2,296,533	0
Machinery and equipment (net)	3,754,321	1,343,826	5,098,147	1,561,117
Infrastructure (net)	32,809,745	0	32,809,745	0
Construction in progress	231,492	1,552,785	1,784,277	0
Total assets	86,823,458	64,441,730	151,265,188	49,111,926
LIABILITIES				
Current payables	491,169	542,649	1,033,818	196,895
Retainage payable	93,532	32,008	125,540	0
Claims and judgements payable	100,000	0	100,000	0
Custodial	17,970	67,796	85,766	0
Unearned Revenue	0	0	0	192,160
Accrued interest payable	0	72,773	72,773	182,639
Noncurrent liabilities				
Due within one year	6,660,258	1,390,000	8,050,258	41,840,174
Due in more than one year	9,313,710	7,740,000	17,053,710	307,677
Due to other gov't current	0	347,378	347,378	0
Due to other gov't long term	0	5,886,902	5,886,902	1,823,882
Net pension obligation	254,147		254,147	
Net OPEB obligation	731,675	0	731,675	0
Compensated absences non-current	1,514,922	272,631	1,787,553	0
Total liabilities	19,177,383	16,352,137	35,529,520	44,543,427
NET ASSETS				
Invested in capital assets, net of related debt	55,883,450	39,832,177	95,715,627	4,022,516
Restricted	0	1,489,109	1,489,109	0
Unrestricted	11,762,625	6,768,307	18,530,932	545,983
Total net assets	$ 67,646,075	$ 48,089,593	$ 115,735,668	$ 4,568,499

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revnue and Changes in Net Assets: Governmental Activities	Net (Expenses) Revnue and Changes in Net Assets: Business-type Activities	Net (Expenses) Revnue and Changes in Net Assets: Total	Component Unit: Public Facilities District
Governmental Activities								
General government	$ 4,982,148	$ 960,403	$ 714,204	$ 2,081	$ (3,305,460)	$ 0	$ (3,305,460)	$ 0
Public safety	14,230,478	1,120,780	778,533	27,927	(12,303,238)	0	(12,303,238)	0
Physical Environment	853,430	589,061	0	25,000	(239,369)	0	(239,369)	0
Transportation	3,336,745	282,508	1,492,180	1,007,752	(554,305)	0	(554,305)	0
Economic environment	1,600,682	396,437	886,416	9,043	(308,786)	0	(308,786)	0
Culture and recreation	3,620,698	375,634	1,018,476	377,857	(1,848,731)	0	(1,848,731)	0
Interest on long-term debt	573,754	0	14,891	0	(558,863)	0	(558,863)	0
Total governmental activities	29,197,935	3,724,823	4,904,700	1,449,660	(19,118,752)	0	(19,118,752)	0
Business Activities								
Water/Sewer	7,248,767	7,949,910	0	0	0	701,143	701,143	0
Storm Drain	936,251	1,018,030	0	145,036	0	226,815	226,815	0
Regional Water	745,350	1,262,976	0	0	0	517,626	517,626	0
Solid Waste	1,937,260	1,884,078	60,877	0	0	7,695	7,695	0
Cemetery	271,058	163,115	0	0	0	(107,943)	(107,943)	0
Total business type activities	11,138,686	12,278,109	60,877	145,036	0	1,345,336	1,345,336	0
Total Primary Government	$ 40,336,621	16,002,932	4,965,577	1,594,696	(19,118,752)	$ 1,345,336	(17,773,416)	0
Conponent Units								
Public Facilities District	7,551,451	2,960,149	0	588,343	0	0	0	(4,002,959)
Total Component Unit	$ 7,551,451	2,960,149	0	588,343	0	0	0	(4,002,959)
General Revenues:								
Property Taxes					5,734,557	0	5,734,557	0
Sales Taxes					6,757,391	0	6,757,391	0
City Utility Taxes					1,589,237	0	1,589,237	0
Other Taxes					3,889,004	0	3,889,004	0
Licenses					215,121	0	215,121	0
Unrestricted investment earnings					40,218	30,380	70,598	0
Miscellaneous general revenues					727,279	0	727,279	0
Transfers					151,200	(151,200)	0	0
Total general revenues					19,104,007	(120,820)	18,983,187	0
Change in net assets					(14,745)	1,224,516	1,209,771	(4,002,959)
Net assets beginning balance					67,150,820	46,865,077	114,015,897	8,801,458
Accounting Change					510,000	0	510,000	(230,000)
Net assets ending balance					$ 67,646,075	$ 48,089,593	$ 115,735,668	$ 4,568,499

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

CITY OF WENATCHEE, WA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	GENERAL	STREET	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	$ 1,459,365	$ 470,190	$ 0	$ 3,600,308	$ 5,529,863
Cash with Fiscal Agent	0	0	0	30,000	30,000
Receivables:					
Taxes	161,662	39,260	0	13,703	214,625
Accounts	482,137	826	0	572,374	1,055,337
Due from Other Funds	369,358	0	0	0	369,358
Intergovernmental	1,583,108	59,697	1,058,379	677,353	3,378,537
Restricted Assets:					
Cash	42,511	0	0	0	42,511
Interfund Loans Receivable	0	0	0	483,113	483,113
TOTAL ASSETS	$ 4,098,141	$ 569,973	$ 1,058,379	$ 5,376,851	$ 11,103,344
LIABILITIES					
Accounts Payable	192,020	65,183	1,343	121,729	380,275
Wages Payable	22,436	2,938	0	0	25,374
Due To Other Funds	0	0	179,142	187,438	366,580
Deposits Payable	13,957	0	0	737	14,694
Revenues Received In Advance	0	0	0	3,276	3,276
Deferred Revenues	206,007	39,260	194,089	647,675	1,087,031
Retainage Payable	0	0	25,004	68,528	93,532
Leasehold Excise Tax Payable	0	0	0	4,914	4,914
Interfund Loans Payable	483,113	0	0	0	483,113
TOTAL LIABILITIES	917,533	107,381	399,578	1,034,297	2,458,789
FUND BALANCE					
Reserved	42,829	0	0	826,573	869,402
Unreserved , reported in					
Special Revenue Funds	0	462,592	658,801	3,243,755	4,365,148
Debt Service Funds	0	0	0	123,344	123,344
Capital Project Funds	0	0	0	148,882	148,882
Unreserved	3,137,779	0	0	0	3,137,779
TOTAL FUND BALANCES	3,180,608	462,592	658,801	4,342,554	8,644,555
TOTAL LIABILITES AND FUND BALANCE	$ 4,098,141	$ 569,973	$ 1,058,379	$ 5,376,851	11,103,344

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

CITY OF WENATCHEE, WASHINGTON
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Total net assetts Governmental Funds	$	8,644,555
The amounts for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		68,806,539
Long term liabilities such as bonded debt is not reported in the governmental funds.		(17,333,760)
Net OPEB Obligation		(985,822)
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		1,087,031
The Internal Service Funds' assets and liabilities are reported in the governmental funds.		7,427,532
Net assets of governmental activities	$	67,646,075

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	GENERAL	STREET	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
RENENUES					
Taxes	$ 16,654,335	$ 1,045,949	$ 0	$ 1,982,562	$ 19,682,846
Licenses and Permits	586,795	0	0	0	586,795
Intergovernmental	1,053,960	383,267	1,576,773	2,213,217	5,227,217
Charges for services	1,764,010	270,395	0	9,154	2,043,559
Fines and Forfeits	901,091	0	0	0	901,091
Investment earnings	14,857	1,415	483	31,082	47,837
Special Assessment Payments	0	0	0	14,856	14,856
Miscellaneous	480,739	15,028	0	307,356	803,123
Total Revenues	21,455,787	1,716,054	1,577,256	4,558,227	29,307,324
EXPENDITURES					
Current:					
General Government	4,783,762	0	0	744	4,784,506
Security of Persons & Property	13,022,496	0	0	631,473	13,653,969
Physical Environment	861,327	0	0	0	861,327
Transportation	0	1,892,139	25,377	1,134,064	3,051,580
Economic Environment	963,322	0	0	647,418	1,610,740
Culture & Recreation	1,982,457	0	0	1,118,137	3,100,594
Miscellaneous	0	0	0	0	0
Capital Outlay					
General	0	0	0	6,449	6,449
Highway/streets	8,160	0	775,716	95,948	879,824
Debt Service					
Principal Retirement	0	0	0	825,000	825,000
Interest and other charges	22,276	0	0	622,927	645,203
Debt Issue Costs	0	0	0	0	0
Total Expenditures	21,643,800	1,892,139	801,093	5,082,160	29,419,192
Excess (Deficiency) of Revenue Over (Under) Expenditures	(188,013)	(176,085)	776,163	(523,933)	(111,868)
OTHER FINANCING SOURCES (USES)					
Capital Asset Disposition	11,677	0	0	0	11,677
Transfers In	890,324	0	0	2,024,305	2,914,629
Debt Proceeds	0	0	0	306,727	306,727
Contributions to other Agencies	0	0	0	0	0
Insurance Recoveries	0	7,806	0	0	7,806
Transfers Out	(957,953)	0	(10,000)	(1,491,476)	(2,459,429)
Total Other Financing Sources (Uses)	(55,952)	7,806	(10,000)	839,556	781,410
CHANGE IN FUND BALANCE	(243,965)	(168,279)	766,163	315,623	669,542
FUND BALANCE JANUARY 1	3,424,573	630,871	126,139	3,793,430	7,975,013
Prior Period Correction	0	0	(233,501)	233,501	0
FUND BALANCE DECEMBER 31	$ 3,180,608	$ 462,592	$ 658,801	$ 4,342,554	$ 8,644,555

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

CITY OF WENATCHEE, WASHINGTON
RECONCILIATION OF THE STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balance - total governmental funds	$	669,542
The amounts reported for Governmental Activites in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures and sales of capital assets as revenue. However in the Statement of Activities the cost of those assets is instead allocated over their estimated useful lives and reported as depreciation expense. The sale of assets on the Statement of Activites will only report a profit or loss if the proceeds of the sale are more or less than the net value of the asset. This is the amount by which capital outlays exceeded depreciation in the current period and the net effect of the sale of capital assets.		(308,388)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(632,392)
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, govermental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.		496,696
The Internal Service funds are used to support govermental activities. The net revenue (expense) of these funds are reported in governmental activities.		265,851
OPEB Cost		(505,138)
Compensated Absences		(916)
Prior Period Correction		510,000
Change in net assets of governmental activities.	$	495,255

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Taxes:				
Property	$ 4,362,225	$ 4,362,225	$ 4,306,911	$ (55,314)
Sales	7,728,900	7,336,200	7,284,991	(51,209)
Business	5,285,800	5,263,300	5,033,932	(229,368)
Other	42,000	42,000	28,501	(13,499)
Licenses & Permits	754,400	638,400	586,795	(51,605)
Intergovernmental	864,900	1,080,886	1,053,960	(26,926)
Charges for Services	1,816,350	1,768,850	1,764,010	(4,840)
Fines & Forfeits	630,000	878,000	901,091	23,091
Interest Earnings	38,000	23,000	14,857	(8,143)
Rentals	29,200	29,200	46,312	17,112
Miscellaneous	34,000	338,923	434,427	95,504
Total Revenues	21,585,775	21,760,984	21,455,787	(305,197)
EXPENDITURES				
Current:				
General Government Services:				
Legislative	2,156,190	2,156,190	2,087,391	68,799
Judicial	481,700	481,700	524,627	(42,927)
Financial	1,100,257	1,100,257	1,061,475	38,782
Legal	340,200	340,200	351,187	(10,987)
Personnel	153,066	153,066	134,255	18,811
Employee Benefits Program	20,000	20,000	16,823	3,177
Facility Maintenance	608,000	608,000	608,004	(4)
Total General Government Services	4,859,413	4,859,413	4,783,762	75,651
Security of Persons & Property:				
Police	9,025,490	9,198,380	9,165,716	32,664
Fire	3,812,330	3,864,992	3,856,780	8,212
Total Security of Persons & Property	12,837,820	13,063,372	13,022,496	40,876
Physical Environment	872,384	872,384	861,327	11,057
Economic Environment	1,000,643	1,000,643	963,322	37,321
Mental & Physical Health	0	0	0	0
Culture & Recreation	2,043,441	2,047,876	1,982,457	65,419
Capital Outlay	0	0	8,160	(8,160)
Debt Service:				
Principal Retirement	53,116	53,116	0	53,116
Interest and Fiscal Charges	24,218	24,218	22,276	1,942
Total Expenditures	21,691,035	21,921,022	21,643,800	277,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,260)	(160,038)	(188,013)	(27,975)

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	0	0	11,677	11,677
Insurance Proceeds	0	0	0	0
Transfers In	864,700	882,921	890,324	7,403
Transfers Out	(958,915)	(958,915)	(957,953)	962
Total Other Financing Sources (Uses)	(94,215)	(75,994)	(55,952)	20,042
Excess (Deficiency) of Revenues and Other Sources over (Under) Expenditures and Other Uses	(199,475)	(236,032)	(243,965)	(7,933)
FUND BALANCE JANUARY 1,	3,424,573	3,424,573	3,424,573	0
FUND BALANCE DECEMBER 31,	$ 3,225,098	$ 3,188,541	$ 3,180,608	$ (7,933)

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 1,059,113	$ 1,059,113	$ 1,045,949	$ (13,164)
Intergovernmental Revenues	396,000	396,000	383,267	(12,733)
Charges for Services	363,000	363,000	270,395	(92,605)
Interest	4,000	1,300	1,415	115
Miscellaneous	10,000	10,000	15,028	5,028
Total Revenues	1,832,113	1,829,413	1,716,054	(113,359)
EXPENDITURES				
Current:				
Transportation	1,997,313	1,997,313	1,892,139	105,174
Capital Outlay	0	0	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	1,997,313	1,997,313	1,892,139	105,174
Excess (Deficiency) of Revenues Over (Under) Expenditures	(165,200)	(167,900)	(176,085)	(8,185)
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	0	0	7,806	7,806
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	7,806	7,806
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(165,200)	(167,900)	(168,279)	(379)
FUND BALANCE JANUARY 1,	630,871	630,871	630,871	0
FUND BALANCE DECEMBER 31,	$ 465,671	$ 462,971	$ 462,592	$ (379)

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ARTERIAL STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 0	$ 0	$ 0	$ 0
Intergovernmental Revenues	2,614,342	1,969,887	1,576,773	(393,114)
Charges for Services	0	0	0	0
Interest	5,000	800	483	(317)
Miscellaneous	33,907	0	0	0
Total Revenues	2,653,249	1,970,687	1,577,256	(393,431)
EXPENDITURES				
Current:				
Transportation	0	0	25,377	(25,377)
Capital Outlay	1,861,030	1,050,297	775,716	274,581
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	1,861,030	1,050,297	801,093	249,204
Excess (Deficiency) of Revenues Over (Under) Expenditures	792,219	920,390	776,163	(144,227)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	0
Sale of Assets	0	0	0	0
Transfers (Out)	0	0	(10,000)	(10,000)
Total Other Financing Sources (Uses)	0	0	(10,000)	(10,000)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	792,219	920,390	766,163	(154,227)
FUND BALANCE JANUARY 1,	126,139	126,139	126,139	0
Prior Period Adjustment	0	0	(233,501)	(233,501)
FUND BALANCE DECEMBER 31,	$ 918,358	$ 1,046,529	$ 658,801	$ (387,728)

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
ASSETS						
Current Assets						
Cash & Cash Equivalents	$ 4,198,285	$ 196,252	$ 1,795,514	$ 52,480	$ 6,242,531	$ 4,013,073
Receivables (net of allowance for uncollectibles):						
Accounts	646,382	79,922	0	181,235	907,539	14,421
Intergovernmental	0	21,020	97,591	65,596	184,207	0
Restricted Cash	0	0	0	5,000	5,000	609,682
Inventory of Material and Supplies	252,313	0	0	0	252,313	17,864
Total current assets	5,096,980	297,194	1,893,105	304,311	7,591,590	4,655,040
Noncurrent assets						
Unamortized debt issue costs	134,727	25,867	7,041	0	167,635	0
Unamortized debt discount	7,064	3,767	0	0	10,831	0
Deferred amount on debt refunding	4,179	0	2,843	0	7,022	0
Restricted Assets:						
Cash-Revenue Bond Debt Service	924,433	277,182	32,494	0	1,234,109	0
Cash-Construction Accounts	0	0	250,000	0	250,000	0
Capital Assets (Net)	43,085,700	6,043,412	5,692,202	375,143	55,196,457	3,050,879
Total noncurrent assets	44,156,103	6,350,228	5,984,580	375,143	56,866,054	3,050,879
Total Assets	49,253,083	6,647,422	7,877,685	679,454	64,457,644	7,705,919

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES						
Current liabilities						
Accounts Payable	393,134	83,977	15,909	48,108	541,128	80,476
Wages and Benefits Payable	1,436	0	85	0	1,521	130
Deposits Payable	46,400	0	0	0	46,400	0
Retainage Payable	32,008	0	0	0	32,008	0
Claims and Judgements Payable	0	0	0	0	0	100,000
Custodial	21,396	0	0	0	21,396	0
Due to Other Funds	0	0	0	2,778	2,778	0
Deferred Revenue	0	0	0	0	0	0
Total current liabilities	494,374	83,977	15,994	50,886	645,231	180,606
Current liabilities payable from restricted assets						
Due to Other Governments	347,378	0	0	0	347,378	0
Accrued Interest Payable	64,760	6,914	1,099	0	72,773	0
Revenue Bonds Payable - Current	843,260	170,000	376,740	0	1,390,000	0
Total current liabilities payable from restricted assets	1,255,398	176,914	377,839	0	1,810,151	0
Noncurrent liabilities						
Due to other Governments	5,886,902	0	0	0	5,886,902	0
Unamortized Debt Premium	8,726	0	4,410	0	13,136	0
Revenue Bonds Payable	6,270,000	1,470,000	0	0	7,740,000	0
Compensated Absences	212,677	0	23,053	36,901	272,631	97,781
Total Non-current Liabilities	12,378,305	1,470,000	27,463	36,901	13,912,669	97,781
Total Liabilities	14,128,077	1,730,891	421,296	87,787	16,368,051	278,387
NET ASSETS						
Invested in Capital Assets Net of Related Debt	29,738,160	4,403,412	5,315,462	375,143	39,832,177	3,050,879
Restricted for Debt Service	924,433	277,182	32,494	0	1,234,109	0
Restricted for Future Construction	0	0	250,000	0	250,000	0
Unrestricted	4,462,413	235,937	1,858,433	216,524	6,773,307	4,376,653
Total Net Assets	$ 35,125,006	$ 4,916,531	$ 7,456,389	$ 591,667	48,089,593	$ 7,427,532

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES:						
Residential Utility Sales	$ 4,042,599	$ 450,450	$ 0	$ 1,884,078	$ 6,377,127	$ 0
Commercial/Industrial Utility Sales	3,718,161	566,468	1,262,835	0	5,547,464	0
Connection Fees	60,154	0	0	0	60,154	0
Charges for Services	95,273	985	0	162,680	258,938	3,404,330
Intergovernmental	0	145,036	0	60,877	205,913	25,000
Miscellaneous	33,723	127	141	435	34,426	11,477
Total Operating Revenues	7,949,910	1,163,066	1,262,976	2,108,070	12,484,022	3,440,807
OPERATING EXPENSES:						
Operations and Maintenance	3,154,847	698,953	495,602	1,782,418	6,131,820	1,879,199
Contracted Operations	0	0	0	41,500	41,500	0
Payment of Premiums	0	0	0	0	0	781,597
General Administration	1,950,648	0	0	378,428	2,329,076	822
Depreciation/Amortization	1,711,763	146,754	218,792	5,972	2,083,281	452,249
Total Operating Expenses	6,817,258	845,707	714,394	2,208,318	10,585,677	3,113,867
OPERATING INCOME (LOSS)	1,132,652	317,359	548,582	(100,248)	1,898,345	326,940
NON-OPERATING REVENUES (EXPENSES)						
Interest Income	20,785	1,818	6,197	1,580	30,380	12,282
Interest Expense & Related Charges	(431,509)	(90,544)	(24,228)	0	(546,281)	0
Capital Contributions	0	0	0	0	0	11,796
Amortization of Debt Discount/ Premium, Issue Costs and Deferred Refunding	0	0	0	0	0	0
Insurance Recoveries	0	0	0	0	0	20,604
Gain (Loss) on sale of Capital Assets	0	0	(6,728)	0	(6,728)	(105,771)
Non-Operating Revenues Net of Expense	(410,724)	(88,726)	(24,759)	1,580	(522,629)	(61,089)
Net Income Before Transfers	721,928	228,633	523,823	(98,668)	1,375,716	265,851
Transfers In (Out)	(171,200)	0	0	20,000	(151,200)	0
CHANGE IN NET ASSETS	550,728	228,633	523,823	(78,668)	1,224,516	265,851
NET ASSETS JANUARY 1	34,574,278	4,687,898	6,932,566	670,335	46,865,077	7,161,681
NET ASSETS DECEMBER 31	$ 35,125,006	$ 4,916,531	$ 7,456,389	$ 591,667	48,089,593	$ 7,427,532

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:						
Cash received from customers	$ 7,913,567	$ 1,140,154	$ 1,221,106	$ 2,042,674	12,317,501	$ 3,416,395
Cash payments to vendors	(3,304,545)	(413,773)	(539,264)	(1,975,211)	(6,232,793)	(1,752,103)
Cash payments to employees	(1,871,427)	(206,118)	(136,307)	(176,761)	(2,390,613)	(888,683)
Other operating revenues	33,723	127	141	435	34,426	11,477
Net cash provided by operating activities	2,771,318	520,390	545,676	(108,863)	3,728,521	787,086
Cash Flows From Noncapital Financing Activities:						
Loans (to) from other funds	0	0	0	0	0	0
Repayment of loans (to) from other funds	1,000,000	0	0	0	1,000,000	0
Interest payments (to) from other funds	3,883	0	0	0	3,883	0
Transfers	(171,200)	0	0	20,000	(151,200)	0
Net cash provided by noncapital financing activities	832,683	0	0	20,000	852,683	0
Cash Flows From Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(2,029,150)	(109,201)	(69,763)	0	(2,208,114)	(342,258)
Proceeds from issuance of interfund debt	0	0	0	0	0	20,604
Proceeds from issuance of revenue bonds	0	0	0	0	0	0
Principal repayment on revenue bonds	(818,498)	(165,000)	(366,502)	0	(1,350,000)	0
Interest and related costs paid on revenue bonds	(340,591)	(91,205)	(25,221)	0	(457,017)	0
Repayment of construction loans	(342,209)	0	0	0	(342,209)	0
Interest and related costs on construction loans	(95,528)	0	0	0	(95,528)	0
Principal repayment of interfund debt	0	0	0	0	0	0
Interest received (paid) on interfund debt	0	0	0	0	0	0
Deferred Amount on Refunding	0	0	0	0	0	0
Insurance Recoveries	0	0	0	0	0	0
Proceeds from sale of equipment	0	0	0	0	0	9,628
Capital contributed by customers	0	0	0	0	0	11,796
Net cash used for capital and related financing activites	(3,625,976)	(365,406)	(461,486)	0	(4,452,868)	(300,230)
Cash Flows From Investing Activities:						
Purchase of Investment Securities	0	0	0	0	0	0
Proceeds from maturities of investment securities	0	0	0	0	0	0
Interest on investments	16,902	1,818	6,197	1,580	26,497	12,282
Net cash provided(used) in investing activities	16,902	1,818	6,197	1,580	26,497	12,282
Net increase (decrease) in cash and cash equivalents	(5,073)	156,802	90,387	(87,283)	154,833	499,138
Cash and cash equivalents at beginning of year	5,127,791	316,632	1,987,621	144,763	7,576,807	4,123,617
Cash and cash equivalents at end of year	$ 5,122,718	$ 473,434	$ 2,078,008	$ 57,480	$ 7,731,640	$ 4,622,755

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating Income (Loss)	$ 1,132,652	$ 317,359	$ 548,582	$ (100,248)	$ 1,898,345	$ 326,940
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	1,711,763	146,754	218,792	5,972	2,083,281	452,249
Change in assets and liabilities:						
(Increase) Decrease Accounts Receivable	999	309	0	635	1,943	(12,934)
(Increase) Decrease Deferred Revenue	0	0	0	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0	0	0	0
(Increase) Decrease Due From Other Governments	0	(20,595)	(41,729)	(65,596)	(127,920)	0
(Increase) Decrease Inventory	0	0	0	0	0	(1,843)
(Increase) Decrease Prepaid Items	0	0	0	0	0	0
Increase (Decrease) Accounts Payable	179,033	79,063	(144,796)	45,407	158,707	11,768
Increase (Decrease) Payroll Taxes Payable	425	0	(193)	0	232	130
Increase (Decrease) Retainage Payable	(254,211)	0	(33,635)	0	(287,846)	0
Increase (Decrease) Deposits Payable	(1,800)	(2,500)	0	0	(4,300)	0
Increase (Decrease) Customer Deposits Payable	(1,819)	0	0	0	(1,819)	0
Increase (Decrease) Due to Other Funds	0	0	0	2,777	2,777	0
Increase (Decrease) Due to Other Govn't	0	0	0	0	0	0
Increase (Decrease) Accrued Employee Leave	4,276	0	(1,345)	2,190	5,121	10,776
Total Adjustments	1,638,666	203,031	(2,906)	(8,615)	1,830,176	460,146
Net Cash Provided by Operating Activities	$ 2,771,318	$ 520,390	$ 545,676	$ (108,863)	3,728,521	$ 787,086

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

CITY OF WENATCHEE, WA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	FIREMEN'S PENSION TRUST FUND
ASSETS	
Cash	$ 2,572,596
Investments	0
Receivables:	
Taxes	0
Accounts	0
Interest on Investments	0
Intergovernmental	0
TOTAL ASSETS	2,572,596
LIABILITIES	
Accounts Payable	0
Deferred Revenues	0
TOTAL LIABILITIES	0
NET ASSETS	
Assets held in trust	$ 2,572,596

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

CITY OF WENATCHEE, WA
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	FIREMEN'S PENSION TRUST FUND
ADDITIONS	
Property Taxes	$ 0
Fire Insurance Premiums	27,960
Interest Income	7,984
Total additions	35,944
DEDUCTIONS	
Retirement Benefits	149,264
General Administration	0
Transfers Out	304,000
Total deductions	453,264
Change in net assets	(417,320)
NET ASSETS January 1,	2,989,916
NET ASSETS December 31,	$ 2,572,596

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

CITY OF WENATCHEE, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

The City's primary government major operations include police and fire protection; street maintenance and construction; parks and recreation; planning and zoning; water, sewer and storm drain systems; and general administrative functions. The City has no blended component units and just one discretely presented component unit.

Discretely Presented Component Unit

The Greater Wenatchee Regional Events Center Public Facilities District (GWRECPFD) 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 GWRECPFD also entered into an interlocal agreement with the City of Wenatchee to act as its administrator.

The District is included in the City of Wenatchee's reporting entity as a discretely presented component unit because of the financial accountability relationship. The City also appoints four of the seven-member board and has the ability to impose its will on the Public Facilities District.

Complete separate financial statements for the Greater Wenatchee Regional Events Center Public Facilities District may be obtained at Wenatchee City Hall, P.O. Box 519, Wenatchee, WA.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Government-wide Financial Statements

The *Statement of Net Assets and Statement of Activities* report information about the City as a whole. These statements report the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been eliminated to avoid "doubling up" revenues and expenses. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the government is financially accountable.

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

The *Statement of Net Assets* presents the financial condition of the City's governmental and business-type activities at year-end. It reports all financial and capital assets including infrastructure and all liabilities including current and long-term.

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.

2. Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level and include statements for governmental, proprietary, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. In the basic financial statements, the governmental and enterprise fund financial statements focus on major funds. Major individual government and enterprise funds are reported as separate columns in the fund financial statements. Funds are deemed to be "major" if their revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds *and* at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. The City may at its option report any other funds as "major" if officials believe that fund is particularly important to financial statement users, and in the case of the Street Fund we have done so.

The City of Wenatchee reports the following major governmental funds for 2010:

- 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 to be accounted for in another fund.
- The ***street fund*** accounts for all activities pertaining to street maintenance including street cleaning, maintenance of sidewalks, maintenance of street lighting systems and traffic signal systems and snow plowing. The street fund is accounted for as a special revenue fund.
- The ***arterial street fund*** accounts for the revenues and expenditures related to the construction and rehabilitation of major streets throughout the City. The arterial street fund is accounted for as a special revenue fund.

The City of Wenatchee reports the following major proprietary funds for 2010:

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

Additionally, the City reports the following fund types:

- Internal service funds account for fleet operation and maintenance, fleet replacement, facility maintenance, data processing and self insurance services provided to other departments of the City, on a cost reimbursement basis.

- Permanent funds include the *cemetery endowment fund* that accounts for the perpetual care endowment of the City cemetery.
- The *firemen's pension trust fund* accounts for the accumulation of resources and payments of pension benefit payments to qualified retired firemen.

3. Fund Accounting

The City's accounting system is organized on the basis of funds, each of which is considered a separate accounting entity. Each fund presents a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The City's resources are allocated to, and accounted for, in individual funds according to the purpose for which they are spent and how they are controlled. There are three categories of funds: governmental, proprietary and fiduciary.

a. Governmental Funds

All governmental funds are accounted for on a "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements focus on measuring changes in financial position, rather than net income. They present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. In addition to the General Fund, the City reports the following fund types:

- *Special Revenue Funds* account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulation. Their revenues are earmarked to finance certain activities or functions.
- *Debt Service Funds* account for resources accumulated and payment made for principal and interest on general government debt including local improvement district (LID) bonds, unlimited tax general obligation (UTGO) bonds that are approved by a vote of the citizens and limited tax general obligation (LTGO) bonds (otherwise known as councilmanic bonds) that are approved by the City Council alone.
- *Capital Project Funds* account for the acquisition or development of capital facilities for governmental activities. The major sources of revenue are proceeds from general obligation bonds, grants, dedicated taxes, and contributions from other funds.
- *Permanent Funds* account for resources that are legally restricted to the extent that only earnings and not the principal may be used for specific purposes that support the City's programs and benefit the City and its citizens.

b. Proprietary Funds

Proprietary funds are accounted for on a flow of economic resources measurement focus. This means that all assets and liabilities, both current and non-current, associated with their activity are included on their balance sheets. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. Proprietary funds measurement focus is based upon determination of net income, financial position, and cash flows. The City applies all applicable rules prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

c. Fiduciary Funds

Fiduciary funds are used to report assets held in trust or agency capacity for others and therefore cannot be used to support the government's own programs.

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

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

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

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

Private-sector standards of accounting and financial reporting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of Wenatchee has elected not to follow subsequent private-sector guidance.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are charges between the City's water/sewer and regional water functions and various functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/sewer fund, storm drain fund and regional water fund are charges to customers for sales and services. Operating expenses for enterprise 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. BUDGETARY INFORMATION

1. Scope of Budget

Annual appropriated budgets are adopted at the fund level for the general and special revenue funds on the modified accrual basis of accounting. Proprietary funds are also budgeted at a fund level but on a working capital basis. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

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

2. Budget Development Process

The City of Wenatchee's budget process is depicted below and is consistent with the requirements of RCW 35A.33. The steps in the budget process are as follows:

a. In early October, and again in early November, the Mayor and Finance Director submit proposed budgets to the City Council. Each budget version is based on priorities established by the Council and estimates provided by the City departments during the preceding months, and balanced with revenue estimates made by the Director of Finance.
b. The Council conducts public hearings on the proposed budget in October, November and December.
c. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
d. The final operating budget as adopted is published and distributed within the first three months of the following year. Copies of the budget are available to the public.

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 councilors) after holding a public hearing. During 2010 the budget was amended once 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

- The Tourism Promotion Fund (a special revenue fund) exceeded its legal appropriation by $2,824 or 1.5%. The overage occurred as a result of receiving more tax revenue than was anticipated and then paying this out to the Convention and Visitors Bureau who is contractually entitled to these tax proceeds.
- The Street Overlay Fund (a special revenue fund) exceeded its legal appropriation by $36,747 or 16.2%. The overage occurred primarily as a result of the City expending more on overlays than had been anticipated. The overage was covered with existing reserves.
- The LEOFF 1 – Health Coverage Fund (a special revenue fund) exceeded its legal appropriation by $7,981 or 1.5%. The overage resulted from the City expending more on health care than anticipated. The overage was covered with existing reserves.
- The Homeless Housing Fund (a special revenue fund) exceeded its legal appropriation by $36,685 or 9.6%. The overage was covered with current year revenues and existing fund reserves.

5. Deficit Fund Equity

- The CDBG Entitlement Fund (a special revenue fund) has a deficit fund balance of $1,514 at December 31, 2010. The deficit was the result of the City expending money on grant financed projects that were not reimbursed until after yearend. The City has subsequently recovered the monies expended through a reimbursement request.
- The Police Station Bond debt service fund has a deficit fund balance of $34,080 at December 31, 2010. This is an $8,059 increase over the December 31, 2009 deficit of $26,021. The deficit is a result of delinquencies on property tax collections that support debt service payments on the underlying unlimited tax general obligation bonds. The fund balance is expected to become positive through future collections of delinquent property tax payments by the Chelan County Treasurer.

- The Orondo Boat Moorage Fund (a capital projects fund) has a deficit fund balance of $43,813 at December 31, 2010. This project was financed through a grant from the Washington State Recreation and Conservation Office (RCO) and contributions from another local agency. The deficit fund balance will be corrected with a July 1, 2011 billing to the agency. This future reimbursement has been recorded as deferred revenue at yearend.

E. ASSETS, LIABILITIES AND EQUITIES

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposit accounts as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the government to invest in obligations of the U.S. Treasury, State Treasurer's Investment Pool, banker's acceptances, or deposits with Washington State banks and savings and loan institutions. It is the City's policy to invest all temporary cash surpluses and the interest on these investments is prorated to the various funds.

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

2. Receivables and Payables

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

- Property Taxes
  The City's annual property tax levy (see Note #5 - Property Taxes) is billed and collected by Chelan County. Taxes collected by the County, but not remitted to the City by year-end, are reported as receivables. Taxes are levied and become a lien on the first day of the calendar year. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property.
- Accounts Receivable
  Customer account receivable consist of amounts owned by private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.
- Special Assessments
  Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2009, special assessments receivable totaled $14,537, none of which was delinquent at yearend.
- Unrecorded and Uncollectable Receivable
  The City entered into a Contingent Loan Agreement (CLA), November 2008, with the Greater Wenatchee Regional Events Center Public Facilities District (District) to help the District issue Revenue Notes to finance the purchase of the Event Center (see Note 12 for further discussion). The District began drawing on the CLA December 2009 and as of December 31, 2010 the City loaned the District $1,821,681 to pay interest on the Revenue Notes. Outstanding balances on the CLA are due six months after the Revenue Notes mature; December 1, 2011. At this time the District does not have the ability to repay the loans and it is unlikely the District will have the ability to repay the loans after the Revenue Notes are refinanced, therefore; the City has determined that the District's receivable should not be recorded in the City's financial statements.

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-

type activities are reported in the government-wide financial statements as "internal balances". A separate schedule of interfund loans receivable and payable is furnished in Note #13 – Interfund Balances and Transfers.

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

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

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

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

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

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

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

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

10. Deferred Revenues
This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

11. Fund Equity
In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Both reservations and designations reflect a portion of fund balance that is not subject to budget appropriation.

The General Fund and Cemetery Fund report reservations of cash in the amount of $4,000 and $5,000 respectively that are related to donations that may be expended only toward a specific purpose stated by the donor. The General Fund also reports a $38,829 designation including advance travel cash of $10,000, IRS Section #125 cash of $20,000, petty cash of $8,250 and a $579 held for a future swimming pool construction project.

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

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

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

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

Value of governmental assets	$ 79,750,364
Less accumulated depreciation	(10,943,825)
Adjustment for governmental fixed assets	$ 68,806,539

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

Councilmanic Bonds Payable	$ (12,845,257)
UTGO Bonds Payable	(3,090,000)
LID Bonds Payable	(38,710)
Unamortized Debt issue items	57,348
Employee Leave Benefits	(1,417,141)
Adjustment for long term liabilities	$(17,333,760)

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

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

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

Capital outlay	$ 886,273
Less depreciation expense	(1,283,688)
Cost of assets sold/retired	(39,849)
Capitalized Interest Riverside Dr LID	70,689
Donated capital assets	58,187
Adjustment for capital outlay	$(308,388)

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

Debt Proceeds (net of expenses)	$(328,304)
Debt Retired	825,000
Adjustment for debt transactions	$ 496,696

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

Property Taxes	$ 85,685
Rehab Loans Receivable	13,450
Miscellaneous Account Receivable	533,257
Adjustment for revenues	$ 632,392

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits:

The City's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). As of December 31, 2010 the carrying amount of the City's cash balances was $477,095 which consisted of bank deposits and petty cash.

Investments:

As of December 31, 2010 the City had a total of $20,052,270 in investments, all of which was invested in the Washington State Investment Pool. A credit rating for the investment pool is unavailable.

Custodial risk is the risk that in event of failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. Of the City's total position of $20,052,270 in the Washington State Investment Pool, nothing is exposed to custodial credit risk.

There was no net increase or decrease in the fair value of investments during 2010 because the City's only investments on hand on 1/1/2010 and 12/31/2010 were in the State Investment Pool.

NOTE 5. PROPERTY TAXES

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

Property Tax Calendar

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

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

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

The City's regular levy for 2010 was $2.45870 per $1,000 on an assessed valuation of $2,205,578,539 for a total levy of $5,422,852.

In addition to the regular levy, the City has a bond levy that was approved by the voters in September 2001 for the construction of a police station. The 2010 levy was $.16823 per $1,000 on an assessed valuation of $2,173,576,037 for a total levy of $365,653.

A six year history of assessed valuations within the City of Wenatchee follows:

Tax Collection Year	Regular Levy Purposes	Bond Levy Purposes
2010	$ 2,205,578,539	$ 2,173,576,037
2009	1,980,222,931	1,951,591,560
2008	1,894,796,901	1,866,856,148
2007	1,848,530,303	1,825,861,330
2006	1,589,277,760	1,568,211,873
2005	1,497,299,979	1,482,098,028

A six year history of property taxes due, collected and delinquent in the year of the levy follows:

Tax Collection Year	Amount of Regular Taxes Levied	Amount of Taxes Levied for UTGO Bonds	Taxes Collected in Year of Levy	% of Taxes Collected in Year of Levy	Taxes Delinquent in Year of Levy
2010	$ 5,422,852	$ 365,653	$ 5,628,228	97.23%	$ 150,036
2009	5,380,695	365,653	5,486,754	95.48%	130,520
2008	5,119,836	363,160	5,359,053	97.74%	123,283
2007	4,945,003	365,464	5,216,910	98.24%	83,337
2006	4,753,633	367,115	5,017,609	97.99%	99,774
2005	4,592,219	368,590	4,856,736	97.90%	94,749

A six year history of property tax levy rates follows:

Tax Collection Year	Regular Levy Rate	UTGO Bond Rate	Total Rate
2010	$ 2.45870	$ 0.16823	$ 2.62693
2009	2.71722	0.18736	2.90458
2008	2.70205	0.19453	2.89658
2007	2.67510	0.20016	2.87526
2006	2.99107	0.23410	3.22517
2005	3.06700	0.24870	3.31570

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 9,201,679	$ 0	$ 0	$ 9,201,679
Construction in progress	336,033	65,918	(170,459)	231,492
Total capital assets not being depreciated	9,537,711	65,918	(170,459)	9,433,170
Capital assets being depreciated:				
Buildings	29,716,218	0	0	29,716,218
Improvements other than buildings	3,104,227	0	0	3,104,227
Machinery and equipment	9,313,840	406,892	(430,831)	9,289,901
Infracture	35,045,043	1,055,055	0	36,100,098
Total capital assets being depreciated	77,179,328	1,461,947	(430,831)	78,210,444
Less accumulated depreciation for:				
Buildings	5,560,017	636,231	0	6,196,248
Improvements other than buildings	702,538	119,665	0	822,203
Machinery and equipment	5,122,893	669,388	(314,888)	5,477,393
Infracture	2,939,851	350,502	0	3,290,353
Total accumulated depreciation	14,325,299	1,775,786	(314,888)	15,786,197
Total capital assets being depreciated, net	62,854,029	(313,839)	(115,943)	62,424,247
Governmental activities capital assets, net	$ 72,391,741	$ (247,921)	$ (286,402)	$ 71,857,418

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

General government	257,738
Public Safety	166,999
Transportation	4,946
Culture and recreation	543,352
Infrastructure	350,502
Total depreciation expense	1,323,537

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,421,715	$ 0	$ 0	$ 1,421,715
Construction in progress	1,974,147	1,082,182	(1,503,544)	1,552,785
Total capital assets not being depreciated	3,395,862	1,082,182	(1,503,544)	2,974,500
Capital assets being depreciated:				
Buildings	76,919,415	3,742,917	(48,526)	80,613,806
Improvements other than buildings	22,572	0	0	22,572
Machinery and equipment	3,418,725	0	(1,094,988)	2,323,737
Infracture	0	0	0	0
Total capital assets being depreciated	80,360,712	3,742,917	(1,143,514)	82,960,115
Less accumulated depreciation for:				
Buildings	27,298,612	2,451,573	0	29,750,185
Improvements other than buildings	7,277	786	0	8,063
Machinery and equipment	1,400,469	179,694	(600,253)	979,911
Infrastructure	0	0	0	0
Total accumulated depreciation	28,706,359	2,632,053	(600,253)	30,738,159
Total capital assets being depreciated, net	51,654,353	1,110,864	(543,261)	52,221,956
Business-type activities capital assets, net	$ 55,050,216	$ 2,193,046	$ (2,046,805)	$ 55,196,457

Depreciation was charged against business-type activities as follows:

Water/Sewer	1,693,301
Storm Darin	143,050
Regional Water	189,477
Cemetery	5,972
Total depreciation expense business activities	2,031,800

NOTE 7. PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement #27, *Accounting for Pensions by State and Local Government Employers* and #50, *Pension Disclosures, an Amendment of GASB Statements #25 and #27.*

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

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

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service (AFC is the monthly average of the 24 consecutive highest-paid service credit months). The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased three percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

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

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under of two provisions:

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost –of living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operating Enduring Freedom or Persian Gulf, Operation Iraqi Freedom.*

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is one percent of the AFC per year of service (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

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

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

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

There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Nonvested	53,896
Total	262,166

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plans 2 and 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

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

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	$17,801	$317,707	$34,845
2009	$28,858	$420,798	$45,461
2008	$31,064	$419,680	$38,718

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

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception.

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

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

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

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

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

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

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

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. (FAS is based on the highest consecutive 60 months). Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. 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. A cost-of living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit is equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 327 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Nonvested	3,944
Total	27,435

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated 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 requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	n/a	3.38%

* The employer rates include the empmloyer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.62%.

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

	LEOFF Plan 1	LEOFF Plan 2
2010	$65	$296,243
2009	$418	$299,697
2008	$418	$283,225

Firemen's Pension

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

As of December 31, 2010, there were a total of 26 retirees or beneficiaries eligible for retirement benefits. Of these 26, the State of Washington pays 6, the City pays 4, and the City and State share the cost of the remaining 16.

Benefit Provisions

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

- Pension expenses for firefighters, and medical expenses for firefighters and police officers hired prior to March 1, 1970, continue to be paid entirely by the City under the old pension laws.
- Firefighters hired before, but not retired on March 1, 1970 received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the reasonable cost of necessary medical expenses of the retiree for life.
- For firefighters and police officers hired on or after March 1, 1970 and prior to October 1, 1977, the City is obligated for lifetime medical expenses only. The LEOFF system pays the entire retirement allowance.
- Firefighters and police officers hired on or after October 1, 1977 are covered entirely by the LEOFF system with no obligation for either retirement allowance or medical expenses incurred after retirement.

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

Summary of Significant Accounting Policies

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

As of December 31, 2010, the Firemen's Pension Fund had an investment portfolio with a fair value of $2,572,596 that was composed of $1,291 in bank deposits and $2,571,305 held in the Washington State Treasurer Local Government Investment Pool (the State Investment Pool). The State Investment Pool is a Rule 2a-7 money market type fund with an average portfolio maturity of less than 91 days. Therefore, this portion of the Firemen's Pension fund is valued at cost. Investments are reported at fair value.

The City does not hold an investment in any one corporation or organization exceeding 5% of net assets available for benefits. Additionally, the City does not have any long-term contract for contributions and any amounts outstanding at the report date.

Contributions and Reserves

Funding for the Firemen's Pension Fund has historically come from property taxes diverted from the General Fund and distributions from the State from fire insurance premium collections. Milliman, Inc. completed an actuarial study of the fund as of January 1, 2008 and January 1, 2010. The General Fund is responsible for the costs of administering the plan. Obligations for medical expenses are funded primarily through group insurance. There have been no required employee contributions to the plans since March 1, 1970. As of December 31, 2010, the Firemen's Pension Fund reported net assets reserved for payment of future claims of $2,572,596.

Annual Pension Cost and Net Pension Obligation

1	Amortization of Unfunded Actuarial Accrued Liability (UAAL)	$ (73,721)
2	Interest to December 31, 2009	(2,949)
3	Annual Required Contribution (ARC) at December 31, 2010	(76,670)
4	Interest on Net Pension Obligation (NPO)	2,273
5	Adjustment to Annual Required Contribution (ARC)	4,316
6	Annual Pension Cost (APC)	(78,713)
7	Employer Contributions	(276,040)
8	Change in Net Pension Obligation (NPO)	197,327
9	Net Pension Obligation (NPO) at January 1, 2010	56,820
10	Net Pension Obligation (NPO) at December 31, 2010	$ 254,147

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Employer Contributions	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2008	$ (128,899)	$ 20,697	N/A	$ (149,596)
December 31, 2009	(124,590)	331,006	N/A	56,820
December 31, 2010	(78,713)	276,040	N/A	254,147

As an actuarial evaluation establishing the NPO was first established 1/1/2008, three year trend information is not yet available. The City will present the necessary information in subsequent years as trend data is collected.

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

Actuarial Assumptions

The actuarial assumptions used in the January 1, 2010 pension actuarial valuation includes techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Assumptions were as follow:

Actuarial Assumptions

Valuation Date	January 1, 2010
Actuarial cost method	Entry Age Normal
Amortization method	20-year, closed as of January 1, 2008
Remaining amortization period as of 12/31/2010	18
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	4.0%
Projected salary increases	3.5%
Inflation	2.5%
Cost-of-living adjustments	Varies*

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

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

ASSETS	
Cash	$ 2,572,596
Investments	0
Receivables:	
Taxes	0
Accounts	0
Interest on Investments	0
Intergovernmental	0
TOTAL ASSETS	2,572,596
LIABILITIES	
Accounts Payable	0
Deferred Revenues	0
TOTAL LIABILITIES	0
NET ASSETS	
Assets held in trust	$ 2,572,596

ADDITIONS	
Property Taxes	$ 0
Fire Insurance Premiums	27,960
Interest Income	7,984
Total additions	35,944
DEDUCTIONS	
Retirement Benefits	149,264
General Administration	0
Transfers out	304,000
Total deductions	453,264
Change in net assets	(417,320)
NET ASSETS January 1,	2,989,916
NET ASSETS December 31,	$ 2,572,596

NOTE 8. RISK MANAGEMENT

Property & Casualty Coverage:

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

Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2010, 85 municipalities participate in the RMSA Pool. The City of Wenatchee joined the AWC RMSA May 1, 1993.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability 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. AWC RMSA, itself, pays out of its own funds all claims up to $400,000 for liability and $50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to $1 million, and CV Starr, from $1 million to $10 million. The excess property coverage is purchased through Allianz, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

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

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The City has also established a liability for outstanding property/casualty claims as of December 31, 2010. The specific financial of the AWC RMSA can be seen in the Annual Report on file in the Finance Department of the City of Wenatchee.

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, 2010, the City had accrued the following amounts for outstanding claims:

	Incurred/ Reported	Incurred but not Reported	Total Claims Payable
Total	$ 17,737	$ 100,000	$ 117,737

The following schedule presents changes in claims liabilities for 2010:

	Property & Casualty	
	2010	2009
Claims liabilities, January 1	$ 105,811	$ 206,838
Claims and operating expenses:		
Incurred during current year	782,419	861,557
Changes in estimate of claims from prior periods	0	0
Paid	(770,493)	(962,584)
Claims liabilities, December 31	$ 117,737	$ 105,811

NOTE 9. SHORT-TERM DEBT
The City had no short-term debt as of December 31, 2010.

NOTE 10. LONG-TERM DEBT
The City's long-term debt consists primarily of general obligation bonds, revenue bonds and loans, local improvement district bonds and accrued employee leave benefits related to vacation and sick leave. The City's long-term debt is accounted for in four areas:

1) General Obligations Bonds
   - Limited Tax General Obligation (LTGO) Bonds – Consist of five issues of non-voted general obligation bonds. Each of these issues represents a direct obligation of the City and the full faith and credit of the City has been irrevocably pledged to satisfy related debt service requirements. The LTGO issues currently outstanding are:
     - Bonds issued in 1998 for the purpose of completing overlays over roughly 40 miles of City streets.
     - Bonds issued in 2007 for the purpose of financing a portion of the construction cost of a public works building, renovating a portion of the city hall building, and renovating a portion of the convention center facility.
     - Bonds issued in 2007 to refund bonds initially issued in 1997 for the purpose of renovating the convention center. The refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the remaining fourteen years (2008 through 2021) of $276,466 for a net present value savings of $214,274.
     - Bond anticipation notes (BANs) issued in 2008 to complete a public service building. This 3 year Note matures December 2011.

   - 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.

2) Revenue Bonds and Loans
   - Revenue Bonds – Four separate series of revenue bonds are currently outstanding and were issued to finance water, sewer, storm drain and regional water system construction projects. The bonds are being repaid by operating revenues of the individual proprietary funds that benefited from the related capital assets.
   - Washington Department of Ecology – State Revolving Fund (SRF) Loan – The City was the recipient of a low interest loan (1.5% over 20 years) from the State Department of Ecology in 2007 whose proceeds were used for an upgrade of a wastewater treatment plant that is part of the City's Water/Sewer enterprise fund. The loan will be repaid by future operating revenues of the fund.

3) Special Assessment or Local Improvement District (LID) Bonds have been issued to finance construction projects for sewers, sidewalks, etc. that have been requested by citizens and benefit specific locations within our community. These bonds are repaid with the proceeds of annual billings assessed against the property owners that benefited from the improvements. In the event of nonpayment of assessments the City of Wenatchee is obligated to make the payment of principal and interest of the Special Assessment Bonds and would do so to the extent funds are available in the LID Guaranty Fund and through the receipt of proceeds from the foreclosure and sale of property upon which the delinquency occurred. At December 31, 2010 the LID Guaranty Fund had an unreserved fund balance of $83,651.

   Bond anticipation notes (BANs) issued in 2009 to provide interim financing for the Riverside Drive Local Improvement District (LID) project. The Water Sewer Fund has committed to purchase the LID Bonds if outside financing isn't available.

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

Loan Guarantee

In 2002, Chelan County issued $2,560,000 in LTGO Bonds, to be used for the design, construction and equipping of a 911 call center to be known as Rivercom. Rivercom is a multi-jurisdictional public safety answering point that was formed through an Interlocal Cooperative Agreement that includes four partners: Chelan County, Douglas County, the City of Wenatchee, and the City of East Wenatchee. Prior to the issuance of the bonds, each of the partners signed a Financing Agreement that commits each party to be a guarantor of up to twenty-five percent (25%) of the principal amount of the bonds. The City's initial share of the guaranty was $640,000, which was reduced each year as Chelan County makes annual debt service payments. As this agreement does not represent actual debt of the City and there has never been a need for the City to contribute funds toward this obligation, it has been determined that this should not be reported as part of the City's long-term debt. This is reflected in the following tables.

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

Bond Type	Moody's	Standard & Poor's
Revenue Bonds	A1	AA-
UTGO Bonds	Aa3	A
LTGO Bonds	A1	A

The following table depicts debt outstanding as of December 31, 2010:

Item	Interest Rates	Maturity	Authorized	Outstanding 1/1/2010	Additions	Reductions	Outstanding 12/31/2010
General Obligation Bonds:							
1993 L.T.G.O.	3.25-5.75%	12/1/2008	800,000	5,000	0	0	5,000
1998 L.T.G.O.	3.85-5.05%	12/1/2014	4,085,000	1,605,000	0	290,000	1,315,000
2007 L.T.G.O.	4.00-4.30%	12/1/2027	4,045,000	3,750,000	0	160,000	3,590,000
2007 L.T.G.O.	4.15%	12/1/2021	2,560,000	2,275,000	0	145,000	2,130,000
2008 L.T.G.O. B.A.	75% of prime	12/9/2011	3,100,000	3,066,629	0	0	3,066,629
2001 U.T.G.O.	2.10-4.90%	12/1/2021	4,800,000	3,310,000	0	220,000	3,090,000
Total General Obligation Bonds			$ 19,390,000	$ 14,011,629	$ 0	$ 815,000	$ 13,196,629
Loan Guarantee							
Chelan County/River	1.80-4.90%	12/1/2022	$ 640,000	$ 510,000	$ 0	$ 510,000	$ 0
Revenue Bonds and Loans:							
1998 Water/Sewer	3.90-5.05%	12/1/2013	2,720,000	1,985,000	0	100,000	1,885,000
1998 Storm Drain	3.90-5.05%	12/1/2013	3,190,000	1,805,000	0	165,000	1,640,000
2004 Water/Sewer	2.50-3.50%	12/1/2011	8,205,000	1,815,000	0	895,000	920,000
2007 SRF Loan	1.50%	7/30/2026	7,391,665	6,576,489	0	342,209	6,234,280
2007 Water/Sewer	4.00-4.30%	12/1/2027	5,225,000	4,875,000	0	190,000	4,685,000
Total Revenue Bonds			$ 26,731,665	$ 17,056,489	$ 0	$ 1,692,209	$ 15,364,280
LID Bonds							
314/316	6.30-7.50%	9/15/2008	1,122,294	25,000	0	0	25,000
324	4.22%	6/1/2016	103,711	23,711	0	10,000	13,711
2009 L.T.G.O. B.A.	35% of prime	3/5/2011	3,000,000	2,431,902	306,727	0	2,738,629
Total LID Bonds			$ 4,226,005	$ 2,480,613	$ 306,727	$ 10,000	$ 2,777,340
Employee Leave Benefit Obligations (Compensated Absences):							
Governmental Funds (governmental activities)				$ 1,416,224	$ 916	$ 0	$ 1,417,140
Internal Service Funds (governmental activities)				87,006	10,775	0	97,781
Enterprise Funds (business-type activities)				267,510	6,466	1,345	272,631
Total Employee Leave Benefits				$ 1,770,740	$ 18,157	$ 1,345	$ 1,787,552

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

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2011	3,926,629	514,871	2,741,847	58,234
2012	895,000	403,247	3,354	443
2013	930,000	364,281	3,496	301
2014	975,000	323,117	3,643	154
2015-2019	3,530,000	1,110,147	0	0
2020-2024	2,290,000	356,591	0	0
2025-2029	3,388,629	132,200	0	0
	$ 15,935,258	$ 3,204,454	$ 2,752,340	$ 59,132

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

Year Ending December 31	Revenue Bonds		State Revolving Fund Loan	
	Principal	Interest	Principal	Interest
2011	1,390,000	404,257	347,378.00	92,505.00
2012	495,000	350,851	352,625.00	87,258.00
2013	520,000	328,151	357,950.00	81,933.00
2014	540,000	304,148	363,357.00	76,526.00
2015-2019	2,865,000	1,117,835	1,900,781.00	298,634.00
2020-2024	2,240,000	523,252	2,048,725.00	150,690.00
2025-2029	1,080,000	94,170	863,464.00	16,302.00
	$ 9,130,000	$ 3,122,664	$ 6,234,280	$ 803,848

Changes in Long-Term Liabilities

During the year ended December 31, 2010, the following changes in long-term liabilities occurred:

	Outstanding 1/1/2010	Additions	Reductions	Outstanding 12/31/2010	Due Within One Year
Governmental Activities					
Bonds Payable					
U.T.G.O. bonds	3,310,000	0	220,000	3,090,000	225,000
L.T.G.O. bonds	10,701,629	0	595,000	10,106,629	3,682,918
Special assessment debt	2,480,613	306,727	10,000	2,777,340	2,752,340
Total bonds payable	16,492,242	306,727	825,000	15,973,969	6,660,258
Net OPEB obligation	443,771	302,463	0	746,234	0
Compensated absences	1,503,230	11,691	0	1,514,921	0
Loan guarantee	510,000	0	510,000	0	0
Government activity long-term debt	18,949,243	620,881	1,335,000	18,235,124	6,660,258
Business-Type Activities					
Bonds and Loans Payable					
Revenue bonds	10,480,000	0	1,350,000	9,130,000	1,390,000
SRF Loan	6,576,489	0	342,209	6,234,280	347,378
Total bonds and loans payable	17,056,489	0	1,692,209	15,364,280	1,737,378
Compensated absences	267,510	6,466	1,345	272,631	0
Business-type activity long-term debt	17,323,999	6,466	1,693,554	15,636,911	1,737,378
Total Governmental and Business-Type	36,273,242	627,347	3,028,554	33,872,035	8,397,636

Statement of Net Assets	Gov	Bus	Total
Noncurrent Liabilities			
Due within one year	6,660,258	1,390,000	8,050,258
Due in more than one year	9,313,711	7,740,000	17,053,711
Due to other govts-current	0	347,378	347,378
Due to other govts-noncurrent	0	5,886,902	5,886,902
Net OPEB obligation	746,234	0	746,234
Compensated absences	1,514,921	272,631	1,787,552
	18,235,124	15,636,911	33,872,035

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end $97,781 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Loan Guarantee

In 2002, Chelan County issued $2,560,000 in LTGO Bonds, to be used for the design, construction and equipping of a 911 call center to be known as Rivercom. Rivercom is a multi-jurisdictional public safety answering point that was formed through an Interlocal Cooperative Agreement that includes four partners: Chelan County, Douglas County, the City of Wenatchee, and the City of East Wenatchee. Prior to the issuance of the bonds, each of the partners signed a Financing Agreement that commits each party to be a guarantor of up to twenty-five percent (25%) of the principal amount

of the bonds. The City's initial share of the guaranty was $640,000, which was reduced each year as Chelan County makes annual debt service payments. As this agreement does not represent actual debt of the City and is recovered from each of the four partners annually through billings that are based upon an allocation of operating, maintenance and debt service costs based upon their ratable share of call or dispatch volume, we have determined that this should not be reported as part of the City's long-term debt. The above reduction of the Loan Guarantee is the removal of this item from the city's debt activities.

Debt Limit Capacities for General Obligation Bonds

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

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

At December 31, 2010, the debt limits for the City were as follows:

	2.5% General Purpose		With a Public Vote		
	Without a Public Vote 1.50%	With a Public Vote 1.00%	Utility Purpose 2.50%	Open Space, Park, and Capital Facilities 2.50%	Total
Legal Limit*	35,521,647	23,681,098	59,202,746	59,202,746	177,608,237
Outstanding Indebtedness	(10,101,629)	(3,090,000)	0	0	(13,191,629)
Margin Available	25,420,018	20,591,098	59,202,746	59,202,746	164,416,608

* Based upon the Chelan County Assessors 2010 assessment of property values for 2011 property taxes $2,368,109,827

NOTE 11. LEASES

Operating Leases

The City leases equipment and property under noncancelable operating leases. The total cost for such leases was $80,782 for the year ended December 31, 2010 including $47,416 for equipment and $33,366 for property. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Equipment	Property	Total
2011	44,065	34,463	78,528
2012	38,631	35,084	73,715
2013	22,326	35,667	57,993
2014	7,671	2,790	10,460
2015	7,060	0	7,060
2016-2020	0	0	0

Capital Leases

The City has no capital leases as of December 31, 2010.

NOTE 12. CONTINGENCIES AND LITIGATIONS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable

that the City will have to make payment. In the opinion of management, the City's insurance policies and self-insurance reserves 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 November 2008 the Greater Wenatchee Regional Events Center Public Facilities District (District) referenced in Note 1.A. of this report issued three bond anticipation notes (BANs) to purchase an event center facility in the latter part of 2008. Each of the notes is a general obligation of the District within the meaning of RCW 35.57.030. The BANs consisted of the following:

- Limited sales tax BANs in the amount of $5,135,000 (nontaxable).
- Revenue and special tax BANs in the amount of $31,160,000 (nontaxable).
- Revenue and special tax BANs in the amount of $5,475,000 (taxable).

As a part of the issuance of the bond anticipation notes the District met with representatives of Standard & Poor's Ratings Service and ultimately received a rating of "SP-1+" on the Sales Tax Notes and Revenue and Special Tax Notes. April12, 2011 Standard & Poor's Rating Service downgraded these bonds to "SP-2".

Each of the three series of bonds may be called not sooner than December 1, 2010 but not later than December 1, 2011. Through the life of the BANs, the District will make interest only payments on June 1 and December 1, each year through December 1, 2011.

On November 13, 2008, prior to the District's BAN issuance, the City entered into a contingent loan agreement (CLA) with the Greater Wenatchee Regional Events Center Public Facilities District (District) that commits the City to lend the District money for the purpose of ensuring the payment of interest on Revenue and Special Tax Notes that were issued in November 2008. The CLA however expressly states that loans made to the District shall not be used to pay the principal of the Revenue and Special Tax Notes. The District and City did not enter into a contingent loan agreement or any other agreement securing the Limited Sales Tax BANs.

Preceding the November 2008 contingent loan agreement however is a September 2006 interlocal agreement between the City and District that was for the purpose of financing, developing and operating a Regional Events Center which states in part:

> The City agrees to execute a Contingent Loan Agreement, in a form approved by the PFD, to provide security for all or a portion of the bonds to be issued by the PFD to finance the Regional Events Center. The PFD, in consultation with underwriters of the bonds and the rating agency rating the bonds and any bond insurer, shall determine whether all or a portion of the bonds to be issued should be secured by the Contingent Loan Agreement. The Contingent Loan Agreement shall provide that to the extent that sales taxes and operating income received by the PFD is insufficient to cover operating and maintenance expenses of the Regional Events Center and pay principal of and interest on the bonds issued for the Regional Events Center, the City shall pay the portion of the principal of and interest on such bonds not covered by such taxes or income. The City shall pledge its full faith and credit to the repayment of such bonds. The City agrees to execute such other financing documents that may be required to enable the PFD to issue bonds for the Regional Events Center.

The PFD anticipates issuing bonds in 2011 to raise revenue to satisfy the BANs. The City and the PFD are currently developing a plan to refinance the BANs, see Note 16 for further discussion.

As a result of operating revenues not being sufficient enough to cover both operating expenses and debt service on the BANs, the City paid $230,000 of the interest expense in 2009, $1,591,682 of the interest expense in 2010, and we anticipate the City will pay an additional $1,591,682 of the $2,191,681 interest payment in 2011.

On September 24, 2009 the City entered into a second contingent loan agreement with the Greater Wenatchee Regional Events Center Public Facilities District (PFD) that commits the City to make loans to the PFD if and when the PFD does not have sufficient money to make lease payments on kitchen equipment acquired in September 2009. To date no loans have been made and none are anticipated for 2011.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

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

Interfund Balances

Due to/from other funds represent receivables and payables between funds for goods issued, work performed or services rendered for the benefit of another fund within the City. This category also includes City Council approved temporary lending of cash from the General Fund to other funds in order to correct negative cash balances that are typically a result of the funds incurring grant related expenditures that are subsequently recovered through reimbursement requests. Due to/from balances at December 31, 2010 are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Arterial Street Fund	179,142
General Fund	CDBG Entitlement	43,350
General Fund	Homeless	17,054
General Fund	UTGO Bonds	33,779
General Fund	Capital Improvements	13,088
General Fund	Orondo Boat Moorage	43,813
General Fund	Foothills Trail	36,356
General Fund	Cemetery	2,778
Total		$ 369,358

Interfund receivables and payables represent loans between funds that have been approved by a City Council resolution and are supported with a specific repayment plan. At December 31, 2010 the loans outstanding are as follows:

Interfund Receivable/Payable			
Receivable Fund	Payable Fund	Total	To be Repaid in 2011
Cemetery Endowment	General Fund	483,113	55,056
Total		$ 483,113	$ 55,056

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 2010 the following transfers in/out occurred:

	Transfer To:										
	Major Funds						Other Funds				
	Governmental			Business Type							
	General	Street	Arterial Street	Water/ Sewer	Storm Drain	Regional Water	Nonmajor Governmental	Nonmajor Business	Debt Service	Internal Service	Total
Transfer From:											
Major Funds											
Governmental											
General	0	0	0	0	0	0	650,189	20,000	287,764	0	957,953
Street	0	0	0	0	0	0	0	0	0	0	0
Arterial street	0	0	0	0	0	0	10,000	0	0	0	10,000
Business Type											
Water/Sewer	171,200	0	0	0	0	0	0	0	0	0	171,200
Storm drain	0	0	0	0	0	0	0	0	0	0	0
Regional water	0	0	0	0	0	0	0	0	0	0	0
Nonmajor governmental	415,124	0	0	0	0	0	366,242	0	710,110	0	1,491,477
Nonmajor business type	0	0	0	0	0	0	0	0	0	0	0
Internal service	0	0	0	0	0	0	0	0	0	0	0
Permanent	0	0	0	0	0	0	0	0	0	0	0
Pension trust fund	304,000	0	0	0	0	0	0	0	0	0	304,000
Total	890,324	0	0	0	0	0	1,026,431	20,000	997,874	0	2,934,630

Significant transfers that occurred during 2010 include:

- An ongoing transfer from the General Fund to the LEOFF 1 Long-Term Care Fund (a nonmajor governmental fund) totaling $101,500 that is intended to pay for long-term care costs for eligible retirees.
- An ongoing transfer from the General Fund to the LEOFF 1 Health Care Fund (a nonmajor governmental fund) totaling $530,000 that is intended to pay for health care costs for eligible retirees.
- A transfer of $304,000 from the Firemen's Pension Fund to the General Fund that offsets health care and long-term care costs for retired LEOFF 1 firefighters. This transfer is possible because according to a 1/1/2008 actuarial study the Firemen's Pension Fund was overfunded by $1.6 million (see the Schedule of Funding Progress in the RSI portion of this report as well as footnote #7 for additional information on this topic).
- An ongoing transfer from the General Fund to the Councilmanic Bond Fund (a debt service fund) that will in-part help to make debt service payments on limited tax general obligation bonds. The transfer in 2010 amounted to $287,764.
- An ongoing transfer from the Convention Center Fund (a nonmajor governmental fund) to the Councilmanic Bond Fund (a debt service fund) that will in-part help to make debt service payments on limited tax general obligation bonds. The transfer in 2010 amounted to $294,493.
- An ongoing transfer from the Real Estate Excise Tax Fund (a nonmajor governmental fund) to the Councilmanic Bond Fund (a debt service fund) that will in-part help to make debt service payments on limited tax general obligation bonds. The transfer in 2010 amounted to $403,819.
- An ongoing transfer from the Hotel/Motel Tax-Capital Fund (a nonmajor governmental fund) to the Convention Center Fund (a nonmajor governmental fund) intended to partially offset the cost of annual bond payments. In 2010 this transfer amounted to $202,594.
- An ongoing transfer from the Water/Sewer Fund (a major business type fund) to the General Fund in the amount of $171,200 that is a payment-in-lieu of tax (PILOT).

NOTE 14. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

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

Membership
LEOFF 1 employees (those police officers and firefighters hired prior to October 1, 1977) become eligible for these benefits at the point they retire from City employment. As of December 31, 2010, the number of individuals eligible for this benefit is as follows:

	Active	Retired	Total	Medicare Eligible
Fire	1	20	21	12
Police	0	18	18	10
	1	38	39	22

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

1. The City pays the Part B premium for those 22 individuals that are Medicare eligible, which results in Medicare being the primary payer for related medical claims.
2. The City pays for medical insurance coverage for all 39 individuals through the Association of Washington Cities Employee Benefits Trust (AWC), which is a fully insured indemnity plan that offers specific coverages for particular maladies. If the individual is Medicare eligible, the AWC coverage is considered the secondary payer, if they are not Medicare eligible, AWC is considered primary.
3. Finally, the City reimburses the retiree for those medical claims that are not covered by either Medicare or AWC.

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

Employer contributions are financed on a pay-as-you-go basis and expenditures for postretirement health and long-term care in 2010 were $631,473.

Annual OPEB Costs and Net OPEB Obligation
The City first had an actuarial valuation performed for the plans as of January 1, 2008 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC). The second actuarial valuation was performed for the plans as of January 1, 2010. The resulting OPEB calculation is depicted in the table below:

Amortization of Unfunded Actuarial Accrued Liability (UAAL)	$ 905,323
Interest to December 31, 2009	36,213
Annual Required Contribution (ARC) at December 31, 2010	941,536
Interest on Net OPEB Obligation	17,168
Adjustment to Annual Required Contribution (ARC)	24,768
Annual OPEB Cost	933,936
Employer Contributions	631,473
Change in Net OPEB Obligation	302,463
Net OPEB Obligation at January 1, 2010	429,212
Net OPEB Obligation at December 31, 2010	$ 731,675

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	$ 790,127	$ 558,659	70.70%	$ 231,468
December 31, 2009	790,127	589,397	74.60%	443,771
December 31, 2010	933,936	631,473	67.61%	443,771

Funding Status and Funding Progress
The funded status of the plan as of December 31, 2010, was as follows:

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

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, service retirement disability, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in Part 6 of this annual report document presents the results of OPEB valuations as of January 1, 2010 and looking forward, the schedule of funding progress will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Assumptions
The actuarial assumptions used in the January 1, 2010 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, 2010	
Actuarial cost method	Entry Age Normal	
Amortization method	30-year, closed as of January 1, 2008	
Remaining amortization period as of 12/31/2009	28	
Actuarial assumptions		
Investment rate of return	4.0%	
Long-term care inflation rate	4.5%	
Medical trend	Year	Rate
	2011	7.5%
	2012	6.6%
	2013-2015	6.1%
	2016-2020	6.0%
	2021-2025	5.9%

NOTE 15. OTHER DISCLOSURES

Prior Period Correction

A prior period correction moving $233,501 in expenses from the LID Capital Projects Fund, a non-major governmental fund, to the Arterial Street Fund, a major governmental fund is reflected in the Fund Financial Statements. The adjustment is a correction of the Riverside Drive project expense allocations discovered during the review to finalize the project. The $8.6 million project was constructed over a four year period, completed in 2009, and financed through multiple funds: Arterial Street Fund, LID Capital Projects Fund and the Water Sewer Fund.

Change in Accounting Method

A $510,000 change in application of accounting method is reflected in the Statement of Activities. In 2002, Chelan County issued $2,560,000 in LTGO Bonds, to be used for the design, construction and equipping of a 911 call center to be known as Rivercom. Rivercom was formed through an Interlocal Cooperative Agreement that includes four partners: Chelan County, Douglas County, the City of Wenatchee, and the City of East Wenatchee. Prior to the issuance of the bonds, each of the partners signed a Financing Agreement that commits each party to be a guarantor of up to twenty-five percent (25%) of the principal amount of the bonds. The City's initial share of the guaranty $640,000, was included in the city's long-term debt and as Chelan County made the annual debt service payments the city's debt balance was reduced. As this agreement does not represent actual debt of the City and is recovered from each of the four partners annually through billings that are based upon an allocation of operating, maintenance and debt service costs based upon their ratable share of call or dispatch volume, we have determined that this should not be reported as part of the City's long-term debt.

NOTE 16. SUBSEQUENT EVENTS

A. Riverside Drive Bond Anticipation Note (BAN) Extension

On February 24, 2011 the City approved Ordinance 2011-16 extending the term of the Riverside Drive Local Improvement District (LID) BAN with Cashmere Valley Bank to September 11, 2011; the original BAN was issued February 2009 and matured March 11, 2011. The extension was needed to complete parcel appraisals and finalize the assessment roll. On March 10, 2011 the City made a partial payment, $191,363, as a result of the reallocation of expenses discussed in Note 15 Prior Period Correction. On March 31, 2011 the City made an additional draw (see footnote #9 for further details) in the amount of $38,777 to pay interest on the BAN. The balance of the BAN as of May 17, 2011 is $2,586,043. The final assessment roll was approved July 28, 2011. Legally required notification and prepayment periods prohibit the issuance of permanent long term financing until after September 11, 2011, therefore the City's Water Sewer Fund will issue a short term loan until the LID is finalized. The City's Water Sewer Fund will purchase the LID Bonds if outside financing is unavailable.

B. Revenue Bond Issue for the Water/Sewer and Storm Drain Funds

On May 26, 2011, the Wenatchee City Council approved ordinance #2011-28 authorizing the issuance of $18,705,000 of 20 year revenue bonds, the proceeds of which will be used to redeem $1,640,000 of 1998 Storm Drain Bonds, $1,885,000 of 1998 Water/Sewer Bonds, with the balance being applied to cover the cost of capital improvements to the water, sewer and storm drain systems. Standard and Poor's issued a AA rating on April 29, 2011 for City's water/sewer/storm system. The bonds closed on June 9, 2011.

C. Contingent Loan Agreement – Greater Wenatchee Regional Events Center Public Facilities District

On November 13, 2008, the City entered into a contingent loan agreement with the Greater Wenatchee Regional Events Center Public Facilities District (District) (see notes 1.A. and 12 for more information) that commits the City to lend the District money for the purpose of ensuring the payment of interest on Revenue and Special Tax Notes that were issued in November 2008. Terms of the notes are that interest only payments are made semi-annually on June 1 and December 1, until December 1, 2011 when the notes are to be retired with the proceeds of the issuance of long-term bonds. Prior to the issuance of the long-term bonds in 2011 the District and City must enter into another contingent loan agreement. On April 28, 2011, the City Council approved an action authorizing the Mayor and Staff to pursue a contingent loan agreement with the District to refinance the 2008 bond anticipation notes subject to final Council approval and further subject to:

a) Judicial validation pursuant to bond validation statute, RCW 7.25 (which must be initiated by the Board of Directors of the District), or alternatively
b) The declaratory judgment statute, RCW 7.24 (which may be initiated by the City), or such other authorities as may be applicable.

On May 6, 2011, the District Board considered and rejected the bond validation statute provide for in RCW 7.25.

July 11, 2011, the City filed for declaratory judgment in Chelan County Superior Court, with a September 8, 2011 trial date.

September 8, 2011, the Chelan County Superior Court made the following findings:

1. The City's unconditional and absolute obligations under the proposed 2011 Interlocal Agreement to provide security for the Bonds are a debt of the City within the meaning of 39.36 RCW and Wash. Const. Art. VIII Section 6.
2. Subject to the first finding above, the debt incurred by the City under the proposed 2011 Interlocal Agreements consists of principal and interest.
3. Subject to the first finding, above, the debt incurred by the City under the proposed 2011 Interlocal Agreement is equal to the total anticipated amount to be loaned under the lifetime of the Bonds.
4. The debt incurred by the City under the proposed 2011 Interlocal Agreement exceeds the City's debt capacity as limited by RCW 39.36.020(2).
5. The City's pledge of its full faith and credit to the making of the loans to the District pursuant to the 2006 Interlocal Agreement and the proposed 2011 Interlocal Agreement exceeds the City's rights and authority.

D. Public Service Center Bond Anticipation Note - Extension

The City issued a three year $3,066,629, Bond Anticipation Note with Cashmere Valley Bank November 2008, to partially finance the construction of the new Public Services Center. The City is refinancing $2,400,000, of this Note, August 2011, for another three year term with Cashmere Valley Bank. The City has committed the proceeds from the sale of surplus property to pay the new Note. The properties are: the old public works site located on Worthen Street and the gravel pit property located in Douglas County.

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

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

* For each two-year period reported the actual actuarial valuation date was 1/1/2010 and the AAL was established that same date. The actuarial value of assets are reported at fair value at that time.

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

Fiscal Year Ending	Actual * Employer Contribution	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contributions (ARC) **	Percentage of ARC Contributed
12/31/2008	(7,675)	28,371	20,696	(128,899)	NA
12/31/2009	(358,060)	27,054	(331,006)	(128,899)	NA
12/31/2010	(304,000)	27,960	(276,040)	(76,670)	NA

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

** The ARC reported for the years 2008-2010 is based upon an actuarial study prepared 1/01/2010. In the future actuarial studies will be performed on a biennial schedule. The next actuarial

Firemen's Pension Fund Actuarial Assumptions

Valuation Date	January 1, 2010
Actuarial cost method	Entry Age Normal
Amortization method	20-year, closed as of January 1, 2008
Remaining amortization period as of 12/31/2010	18
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	4.0%
Projected salary increases	3.5%
Inflation	2.5%
Cost-of-living adjustments	Varies*

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

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

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

* January 1, 2008 was the first year of OPEB implementation and corresponded with the first actuarial valuation of OPEB. Actuarial studies will be conducted bienially with the next scheduled to be as of 1/1/2012. In future years, annual funding progress will be reported.

OPEB Actuarial Assumptions

Valuation Date	January 1, 2010	
Actuarial cost method	Entry Age Normal	
Amortization method	30-year, closed as of January 1, 2008	
Remaining amortization period as of 12/31/2009	28	
Actuarial assumptions		
Investment rate of return	4.0%	
Long-term care inflation rate	4.5%	
Medical trend	Year	Rate
	2011	7.5%
	2012	6.6%
	2013-2015	6.1%
	2016-2020	6.0%
	2021-2025	5.9%

CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	SPECIAL REVENUE FUNDS								
	PUBLIC ART	PATHS & TRAILS	TOURISM PROMOTION AREA	HOTEL/MOTEL 60% CAPITAL	CONVENTION CENTER	HOTEL/MOTEL 40% TOURISM	LEOFF 1 LONG-TERM CARE	STREET OVERLAY	LOW INCOME HOUSING
ASSETS									
Cash	$ 85,257	$ 64,062	$ 0	$ 0	$ 322,021	$ 16,172	$ 556,390	$ 497,171	$ 66,252
Cash with Fiscal Agent	0	0	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0	0	0
Receivables:									
Taxes	0	0	0	0	0	0	0	0	0
Accounts	0	0	0	0	9,927	0	0	0	0
Intergovernmental	0	444	26,824	35,958	61,390	45,166	0	10,239	11,300
Interest	0	0	0	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	85,257	64,506	26,824	35,958	393,338	61,338	556,390	507,410	77,552
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts Payable	3,000	0	26,824	0	8,282	45,166	0	0	0
Payroll Payables	0	0	0	0	0	0	0	0	0
Due To Other Funds	0	0	0	0	0	0	0	0	0
Deferred Revenues	0	0	0	0	0	0	0	0	0
Revenue Received in Advance	0	0	0	0	0	0	0	0	0
Interfund Loan Payable	0	0	0	0	0	0	0	0	0
Deposits Payable	0	0	0	0	0	0	0	0	0
Sales Tax Payable	0	0	0	0	0	0	0	0	0
Retainage Payable	0	63,964	0	0	0	0	0	0	0
Leasehold Excise Tax Payable	0	0	0	0	4,914	0	0	0	0
Unclaimed Property	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	3,000	63,964	26,824	0	13,196	45,166	0	0	0
FUND BALANCE									
Reserved	0	0	0	0	0	0	0	0	0
Unreserved	82,257	542	0	35,958	380,142	16,172	556,390	507,410	77,552
TOTAL FUND BALANCE	82,257	542	0	35,958	380,142	16,172	556,390	507,410	77,552
TOTAL LIABILITIES AND FUND BALANCES	$ 85,257	$ 64,506	$ 26,824	$ 35,958	$ 393,338	$ 61,338	$ 556,390	$ 507,410	$ 77,552

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

CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	COMMUNITY CENTER	CDBG ENTITLEMENT	LEOFF 1 HEALTH COVERAGE	HOMELESS FUNDS	EVENT CENTER CERB GRANT	TOTAL SPECIAL REVENUE FUNDS
ASSETS						
Cash	$ 237,997	$ 0	$ 543,214	$ 549,010	$ 0	$ 2,937,546
Cash with Fiscal Agent	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Receivables:						0
Taxes	0	0	0	0	0	0
Accounts	2,917	544,882	0	0	0	557,726
Intergovernmental	266	50,672	0	337,919	0	580,178
Interest	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0
TOTAL ASSETS	241,180	595,554	543,214	886,929	0	4,075,450
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	2,437	5,836	3,814	25,464	0	120,823
Payroll Payables	0	0	0	0	0	0
Due To Other Funds	0	43,350	0	17,054	0	60,404
Deferred Revenues	0	545,928	0	29,694	0	575,622
Revenue Received in Advance	3,276	0	0	0	0	3,276
Interfund Loan Payable	0	0	0	0	0	0
Deposits Payable	737	0	0	0	0	737
Sales Tax Payable	0	0	0	0	0	0
Retainage Payable	0	1,955	0	0	0	65,919
Leasehold Excise Tax Payable	0	0	0	0	0	4,914
Unclaimed Property	0	0	0	0	0	0
TOTAL LIABILITIES	6,450	597,069	3,814	72,212	0	831,695
FUND BALANCE						
Reserved	0	0	0	0	0	0
Unreserved	234,730	(1,515)	539,400	814,717	0	3,243,755
TOTAL FUND BALANCE	234,730	(1,515)	539,400	814,717	0	3,243,755
TOTAL LIABILITIES AND FUND BALANCES	$ 241,180	$ 595,554	$ 543,214	$ 886,929	$ 0	$ 4,075,450

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

CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	DEBT SERVICE FUNDS					TOTAL DEBT SERVICE FUNDS
	UTGO BONDS	LID GUARANTY	LTGO BONDS	LID 324	LID 314 & 316	
ASSETS						
Cash	$ 0	$ 83,651	$ 41,056	$ 3,321	$ 0	$ 128,028
Cash with Fiscal Agent	0	0	5,000	0	25,000	30,000
Investments	0	0	0	0	0	0
Receivables:						0
Taxes	13,703	0	0	0	0	13,703
Accounts	0	0	0	14,537	0	14,537
Intergovernmental	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0
TOTAL ASSETS	13,703	83,651	46,056	17,858	25,000	186,268
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	302	0	604	0	0	906
Payroll Payables	0	0	0	0	0	0
Due To Other Funds	33,778	0	0	0	0	33,778
Deferred Revenues	13,703	0	0	14,537	0	28,240
Revenue Received in Advance	0	0	0	0	0	0
Interfund Loan Payable	0	0	0	0	0	0
Deposits Payable	0	0	0	0	0	0
Sales Tax Payable	0	0	0	0	0	0
Retainage Payable	0	0	0	0	0	0
Leasehold Excise Tax Payable	0	0	0	0	0	0
Unclaimed Property	0	0	0	0	0	0
TOTAL LIABILITIES	47,783	0	604	14,537	0	62,924
FUND BALANCE						
Reserved	0	0	0	0	0	0
Unreserved	(34,080)	83,651	45,452	3,321	25,000	123,344
TOTAL FUND BALANCE	(34,080)	83,651	45,452	3,321	25,000	123,344
TOTAL LIABILITIES AND FUND BALANCES	$ 13,703	$ 83,651	$ 46,056	$ 17,858	$ 25,000	$ 186,268

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

CITY OF WENATCHEE, WASHINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	CAPITAL PROJECTS FUNDS					TOTAL CAPITAL PROJECTS FUNDS	PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	CAPITAL INPROVE-MENTS	DAY USE MOORAGE PARKING	FOOTHILLS TRAIL	PSC CONSTRUCTION	CONVENTION CENTER UPGRADES		CEMETERY TRUST	
ASSETS								
Cash	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 343,349	$ 3,408,923
Cash with Fiscal Agent	0	0	0	0	0	0	0	30,000
Investments	0	0	0	0	0	0	0	0
Receivables:								0
Taxes	0	0	0	0	0	0	0	13,703
Accounts	0	0	0	0	0	0	111	572,374
Intergovernmental	13,936	43,813	39,426	0	0	97,175	0	677,353
Interest	0	0	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0	483,113	483,113
TOTAL ASSETS	13,936	43,813	39,426	0	0	97,175	826,573	5,185,466
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts Payable	0	0	0	0	0	0	0	121,729
Payroll Payables	0	0	0	0	0	0	0	0
Due To Other Funds	13,088	43,813	36,355	0	0	93,256	0	187,438
Deferred Revenues	0	43,813	0	0	0	43,813	0	647,675
Revenue Received in Advance	0	0	0	0	0	0	0	3,276
Interfund Loan Payable	0	0	0	0	0	0	0	0
Deposits Payable	0	0	0	0	0	0	0	737
Sales Tax Payable	0	0	0	0	0	0	0	0
Retainage Payable	848	0	1,761	0	0	2,609	0	68,528
Leasehold Excise Tax Payable	0	0	0	0	0	0	0	4,914
Unclaimed Property	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	13,936	87,626	38,116	0	0	139,678	0	1,034,297
FUND BALANCE								
Reserved	0	0	0	0	0	0	826,573	826,573
Unreserved	0	(43,813)	1,310	0	0	(42,503)	0	3,324,596
TOTAL FUND BALANCE	0	(43,813)	1,310	0	0	(42,503)	826,573	4,151,169
TOTAL LIABILITIES AND FUND BALANCES	$ 13,936	$ 43,813	$ 39,426	$ 0	$ 0	$ 97,175	$ 826,573	$ 5,185,466

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	SPECIAL REVENUE FUNDS								
	PUBLIC ART	PATHS & TRAILS	TOURISM PROMOTION AREA	HOTEL/MOTEL 60% CAPITAL	CONVENTION CENTER	HOTEL/MOTEL 40 % TOURISM	LEOFF 1 LONG-TERM CARE	STREET OVERLAY	LOW INCOME HOUSING
RENENUES									
Taxes	$ 0	$ 0	$ 189,282	$ 211,726	$ 435,394	$ 370,420	$ 0	$ 205,965	$ 0
Intergovernmental	0	1,107,802	0	0	0	0	0	0	38,087
Charges for services	0	0	0	0	0	0	0	0	0
Investment earnings	272	6	242	298	1,096	126	1,613	1,815	234
Special Assessment Payments	0	0	0	0	0	0	0	0	0
Miscellaneous	25,007	1,000	0	0	147,874	0	0	0	0
Total Revenues	25,279	1,108,808	189,524	212,024	584,364	370,546	1,613	207,780	38,321
EXPENDITURES									
Current:									
General Government	0	0	0	0	0	0	0	0	0
Security of Persons & Property	0	0	0	0	0	0	93,492	0	0
Transportation	0	1,034,551	0	0	0	0	0	99,512	0
Economic Environment	0	0	0	0	0	0	0	0	55,000
Culture & Recreation	16,455	0	189,524	0	416,406	371,220	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0	0
Debt Service									
Principal Retirement	0	0	0	0	0	0	0	0	0
Interest & other costs	0	0	0	0	0	0	0	0	0
Total Expenditures	16,455	1,034,551	189,524	0	416,406	371,220	93,492	99,512	55,000
Excess (Deficiency) of Revenue Over (Under) Expendiuters	8,824	74,257	0	212,024	167,958	(674)	(91,879)	108,268	(16,679)
OTHER FINANCING SOURCES (USES)									
Transfers In	0	10,000	0	0	202,594	0	101,497	0	0
Debt Proceeds	0	0	0	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0	0
Contributions to other agencies	0	0	0	0	0	0	0	0	0
Insurance Recoveries	0	0	0	0	0	0	0	0	0
Transfers Out	0	(12,500)	0	(202,594)	(644,493)	0	0	(163,648)	0
Total Other Financing Sources (Uses)	0	(2,500)	0	(202,594)	(441,899)	0	101,497	(163,648)	0
CHANGE IN FUND BALANCE	8,824	71,757	0	9,430	(273,941)	(674)	9,618	(55,380)	(16,679)
FUND BALANCE JANUARY 1	73,433	(71,215)	0	26,528	654,083	16,846	546,772	562,790	94,231
Prior Period Corrections									
FUND BALANCE DECEMBER 31	$ 82,257	$ 542	$ 0	$ 35,958	$ 380,142	$ 16,172	$ 556,390	$ 507,410	$ 77,552

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	COMMUNITY CENTER	CDBG ENTITLEMENT	LEOFF 1 HEALTH COVERAGE	HOMELESS FUNDS	EVENT CENTER CERB GRANT	TOTAL SPECIAL REVENUE FUNDS
RENENUES						
Taxes	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,412,787
Intergovernmental	0	251,588	0	574,989	0	1,972,466
Charges for services	0	0	0	0	0	0
Investment earnings	750	0	1,568	1,910	0	9,930
Special Assessment Payments	0	0	0	0	0	0
Miscellaneous	112,921	20,554	0	0	0	307,356
Total Revenues	113,671	272,142	1,568	576,899	0	3,702,539
EXPENDITURES						
Current:						
General Government	0	0	0	0	0	0
Security of Persons & Property	0	0	537,981	0	0	631,473
Transportation	0	0	0	0	0	1,134,063
Economic Environment	0	207,449	0	384,969	0	647,418
Culture & Recreation	122,559	0	0	0	0	1,116,164
Capital Outlay	0	34,144	0	0	0	34,144
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest & other costs	0	0	0	0	0	0
Total Expenditures	122,559	241,593	537,981	384,969	0	3,563,262
Excess (Deficiency) of Revenue Over (Under) Expendiuters	(8,888)	30,549	(536,413)	191,930	0	139,277
OTHER FINANCING SOURCES (USES)						
Transfers In	18,691	0	530,000	0	0	862,782
Debt Proceeds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Contributions to other agencies	0	0	0	0	0	0
Insurance Recoveries	0	0	0	0	0	0
Transfers Out	0	0	0	(35,635)	(16,821)	(1,075,691)
Total Other Financing Sources (Uses)	18,691	0	530,000	(35,635)	(16,821)	(212,909)
CHANGE IN FUND BALANCE	9,803	30,549	(6,413)	156,295	(16,821)	(73,632)
FUND BALANCE JANUARY 1	224,927	(32,064)	545,813	658,422	16,821	3,317,387
Prior Period Corrections						
FUND BALANCE DECEMBER 31	$ 234,730	$ (1,515)	$ 539,400	$ 814,717	$ 0	$ 3,243,755

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	DEBT SERVICE FUNDS					TOTAL DEBT SERVICE FUNDS
	UTGO BONDS	LID GUARANTY	LTGO BONDS	LID 324	LID 314 & 316	
RENENUES						
Taxes	$ 359,932	$ 0	$ 0	$ 0	$ 0	$ 359,932
Intergovernmental	0	0	0	0	0	0
Charges for services	0	0	0	0	0	0
Investment earnings	268	251	1,198	22	14	1,753
Special Assessment Payments	0	0	0	10,868	3,988	14,856
Miscellaneous	0	0	0	0	0	0
Total Revenues	360,200	251	1,198	10,890	4,002	376,541
EXPENDITURES						
Current:						
General Government	0	744	0	0	0	744
Security of Persons & Property	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
Economic Environment	0	0	0	0	0	0
Culture & Recreation	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service						
Principal Retirement	220,000	0	595,000	10,000	0	825,000
Interest & other costs	148,079	0	402,394	1,005	760	552,238
Total Expenditures	368,079	744	997,394	11,005	760	1,377,982
Excess (Deficiency) of Revenue Over (Under) Expendiuters	(7,879)	(493)	(996,196)	(115)	3,242	(1,001,441)
OTHER FINANCING SOURCES (USES)						
Transfers In	0	0	996,791	0	1,083	997,874
Debt Proceeds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Contributions to other agencies	0	0	0	0	0	0
Insurance Recoveries	0	0	0	0	0	0
Transfers Out	0	(1,083)	0	0	0	(1,083)
Total Other Financing Sources (Uses)	0	(1,083)	996,791	0	1,083	996,791
CHANGE IN FUND BALANCE	(7,879)	(1,576)	595	(115)	4,325	(4,650)
FUND BALANCE JANUARY 1	(26,201)	85,227	44,857	3,436	20,675	127,994
Prior Period Corrections						
FUND BALANCE DECEMBER 31	$ (34,080)	$ 83,651	$ 45,452	$ 3,321	$ 25,000	$ 123,344

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	CAPITAL PROJECTS FUNDS					TOTAL	PERMANENT FUND	TOTAL
	CAPITAL IMPROVE-MENTS	DAY USE MOORAGE PARKING	FOOTHILLS TRAIL	PSC CONSTRUCTION	CONVENTION CENTER UPGRADE	CAPITAL PROJECTS FUNDS	CEMETERY TRUST	NONMAJOR GOVERNMENTAL FUNDS
RENENUES								
Taxes	$ 209,843	$ 0	$ 0	$ 0	$ 0	$ 209,843	$ 0	$ 1,982,562
Intergovernmental	0	100,000	140,751	0	0	240,751	0	2,213,217
Charges for services	0	0	0	0	0	0	9,154	9,154
Investment earnings	0	0	0	0	52	52	19,326	31,061
Special Assessment Payments	0	0	0	0	0	0	0	14,856
Miscellaneous	0	0	0	0	0	0	0	307,356
Total Revenues	209,843	100,000	140,751	0	52	450,646	28,480	4,558,206
EXPENDITURES								
Current:								
General Government	0	0	0	0	0	0	0	744
Security of Persons & Property	0	0	0	0	0	0	0	631,473
Transportation	0	0	0	0	0	0	0	1,134,063
Economic Environment	0	0	0	0	0	0	0	647,418
Culture & Recreation	0	1,974	0	0	0	1,974	0	1,118,138
Capital Outlay	0	0	48,011	0	6,449	54,460	0	88,604
Debt Service								
Principal Retirement	0	0	0	0	0	0	0	825,000
Interest & other costs	0	0	0	0	0	0	0	552,238
Total Expenditures	0	1,974	48,011	0	6,449	56,434	0	4,997,678
Excess (Deficiency) of Revenue Over (Under) Expendiuters	209,843	98,026	92,740	0	(6,397)	394,212	28,480	(439,472)
OTHER FINANCING SOURCES (USES)								
Transfers In	162,662	987	0	0	0	163,649	0	2,024,305
Debt Proceeds	0	0	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0
Contributions to other agencies	0	0	0	0	0	0	0	0
Insurance Recoveries	0	0	0	0	0	0	0	0
Transfers Out	(403,819)	0	0	(168)	(10,715)	(414,702)	0	(1,491,476)
Total Other Financing Sources (Uses)	(241,157)	987	0	(168)	(10,715)	(251,053)	0	532,829
CHANGE IN FUND BALANCE	(31,314)	99,013	92,740	(168)	(17,112)	143,159	28,480	93,357
FUND BALANCE JANUARY 1	31,314	(142,826)	(91,430)	168	17,112	(185,662)	798,093	4,057,812
Prior Period Corrections						0		0
FUND BALANCE DECEMBER 31	$ 0	$ (43,813)	$ 1,310	$ 0	$ 0	$ (42,503)	$ 826,573	$ 4,151,169

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	SOLID WASTE	CEMETERY	TOTAL
ASSETS			
Cash & Cash Equivalents	$ 52,479	$ 1	$ 52,480
Cash With Fiscal Agent	0	0	0
Receivables (net of allowance for uncollectibles):			
Accounts	168,540	12,695	181,235
Interest on Investments	0	0	0
Intergovernmental	65,596	0	65,596
Due From Other Funds	0	0	0
Interfund Loans Receivable	0	0	0
Inventory of Material and Supplies	0	0	0
Restricted Assets:			
Cash-Revenue Bond Debt Service	0	0	0
Cash-Construction Accounts	0	5,000	5,000
Capital Assets (Net)	0	375,143	375,143
Total Assets	286,615	392,839	679,454
LIABILITIES AND EQUITIES			
LIABILITIES :			
Accounts Payable	39,129	8,979	48,108
Wages and Benefits Payable	0	0	0
Deposits Payable	0	0	0
Compensated Absences - Current	0	0	0
Retainage Payable	0	0	0
Due to Other Govenrments	0	0	0
Due To Other Funds	0	2,778	2,778
Deferred Revenue	0	0	0
Interfund Loans Payable	0	0	0
Non-voted G O Bonds Payable Current	0	0	0
Revenue Bonds Payable - Current	0	0	0
Non-voted G O Bonds Payable Noncurrent	0	0	0
Revenue Bonds Payable - Noncurrent	0	0	0
Compensated Absences - Noncurrent	0	36,901	36,901
Total Liabilities	39,129	48,658	87,787
NET ASSETS			
Invested in capital assets, net of related debt	0	375,143	375,143
Restricted for debt service	0	0	0
Restricted for future construction	0	0	0
Unrestricted	247,486	(30,962)	216,524
Total Net Assets	$ 247,486	$ 344,181	$ 591,667

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	SOLID WASTE	CEMETERY	TOTAL
OPERATING REVENUES:			
Residential Utility Sales	$ 1,884,078	$ 0	$ 1,884,078
Commercial/Industrial Utility Sales	0	0	0
Connection Fees	0	0	0
Intergovernmental	60,877	0	60,877
Charges for Services	0	162,680	162,680
Miscellaneous	0	435	435
Total Operating Revenues	1,944,955	163,115	2,108,070
OPERATING EXPENSES:			
Operations and Maintenance	1,558,832	265,086	1,823,918
Contracted Operations	41,500	0	41,500
General Administration	336,928	0	336,928
Depreciation/Amortization	0	5,972	5,972
Total Operating Expenses	1,937,260	271,058	2,208,318
OPERATING INCOME (LOSS)	7,695	(107,943)	(100,248)
NON-OPERATING REVENUES (EXPENSES)			
Interest Revenue			
Interest Income	817	763	1,580
Net Inc(Dec)in Fair Value of Investments	0	0	0
Total Interest Revenue	817	763	1,580
External Operating Subsidy	0	0	0
Interest Expense & Related Charges	0	0	0
Gain (Loss) on sale of Capital Assets	0	0	0
Non-Operating Revenues Net of Expense	817	763	1,580
Net Income Before Transfers	8,512	(107,180)	(98,668)
Transfers In (Out)	0	20,000	20,000
CHANGE IN NET ASSETS	8,512	(87,180)	(78,668)
NET ASSETS JANUARY 1	238,974	431,361	670,335
NET ASSETS DECEMBER 31	$ 247,486	$ 344,181	$ 591,667

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	SOLID WASTE	CEMETERY	TOTAL
Cash Flows from Operating Activities:			
Cash received from customers	$ 1,879,225	$ 163,449	$ 2,042,674
Cash payments to vendors	(1,898,803)	(76,408)	(1,975,211)
Cash payments to employees	0	(176,761)	(176,761)
Cash payments to other funds	0	0	0
Cash payments for taxes	0	0	0
Other operating revenues	0	435	435
Net cash provided by operating activities	(19,578)	(89,285)	(108,863)
Cash Flows From Noncapital Financing Activities:			
Repayment of loans received from other funds	0	0	0
Repayment of loans to other funds	0	0	0
Transfers	0	20,000	20,000
Interest received on loans	0	0	0
Interest paid on loans	0	0	0
Net cash provided by noncapital financing activities	0	20,000	20,000
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	0	0	0
Proceeds from issuance interfund debt	0	0	0
Principal repayment on revenue bond maturities	0	0	0
Interest and related costs paid on revenue bonds	0	0	0
Principal repayment of interfund debt	0	0	0
Interest paid on interfund debt	0	0	0
Proceeds from sale of equipment	0	0	0
External Operating Subsidy	0	0	0
Capital contributed by customers	0	0	0
Net cash used for capital and related financing activities	0	0	0
Cash Flows From Investing Activities:			
Purchase of Investment Securities	0	0	0
Proceeds from maturities of investment securities	0	0	0
Interest on investments	817	763	1,580
Transfer of interest from other funds	0	0	0
Net cash provided(used) in investing activities	817	763	1,580
Net increase (decrease) in cash and cash equivalents	(18,761)	(68,522)	(87,283)
Cash and cash equivalents at beginning of year	71,240	73,523	144,763
Cash and cash equivalents at end of year	$ 52,479	$ 5,001	$ 57,480

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	SOLID WASTE	CEMETERY	TOTAL
RECONCILLIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	$ 7,695	$ (107,943)	$ (100,248)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	0	5,972	5,972
Change in assets and liabilities:			
(Increase) Decrease Accounts Receivable	(134)	769	635
(Increase) Decrease Taxes Receivable	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0
(Increase) Decrease Due From Other Governments	(65,596)	0	(65,596)
(Increase) Decrease Inventory	0	0	0
(Increase) Decrease Prepaid Items	0	0	0
Increase (Decrease) Accounts Payable	38,457	6,950	45,407
Increase (Decrease) Deferred Revenue	0	0	0
Increase (Decrease) Payroll Taxes Payable	0	0	0
Increase (Decrease) Retainage Payable	0	0	0
Increase (Decrease) Deposits Payable	0	0	0
Increase (Decrease) Due to Other Funds	0	2,777	2,777
Increase (Decrease) Due to Other Govn't	0	0	0
Increase (Decrease) Accrued Employee Leave	0	2,190	2,190
Total Adjustments	(27,273)	18,658	(8,615)
Net Cash Provided by Operating Activities	$ (19,578)	$ (89,285)	$ (108,863)

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT	FACILITY MAINTENANCE	DATA PROCESSING	TOTAL
ASSETS						
Current Assets:						
Cash	$ 428,055	$ 1,853,854	$ 1,323,125	$ 170,681	$ 237,358	$ 4,013,073
Accounts Receivable	0	12,882	0	1,539	0	14,421
Inventory of Material and Supplies	17,321	0	543	0	0	17,864
Restricted Assets:						
Cash	589,608	0	0	20,074	0	609,682
Total Current Assets	1,034,984	1,866,736	1,323,668	192,294	237,358	4,655,040
Non Current Assets:						
Capital Assets (Net)	396,141	0	2,237,638	0	417,100	3,050,879
Unamortized Bond Discount	0	0	0	0	0	0
Total Non Current Assets	396,141	0	2,237,638	0	417,100	3,050,879
Total Assets	1,431,125	1,866,736	3,561,306	192,294	654,458	7,705,919
LIABILITIES						
Current Liabilities:						
Accounts Payable	36,757	17,737	13,086	6,829	6,067	80,476
Wages Payable	130	0	0	0	0	130
Compensated Absences - Current	0	0	0	0	0	0
Claims and Judgements Payable	0	100,000	0	0	0	100,000
Nonvoted G O Bonds Payable - Current	0	0	0	0	0	0
Total Current Liabilities	36,887	117,737	13,086	6,829	6,067	180,606
Non Current Liabilities						
Nonvoted G O Bonds Payable	0	0	0	0	0	0
Compensated Absences	25,526	0	0	22,212	50,043	97,781
Total Non Current Liabilities	25,526	0	0	22,212	50,043	97,781
Total Liabilities	62,413	117,737	13,086	29,041	56,110	278,387
NET ASSETS						
Invested in Capital Assets	396,141	0	2,237,638	0	417,100	3,050,879
Restricted	0	0	0	0	0	0
Unrestricted	972,571	1,748,999	1,310,582	163,253	181,248	4,376,653
Total Net Assets	$ 1,368,712	$ 1,748,999	$ 3,548,220	$ 163,253	$ 598,348	$ 7,427,532

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT	FACILITY MAINTENANCE	DATA PROCESSING	TOTAL
OPERATING REVENUES:						
Charges for Services	$ 841,514	$ 849,012	$ 537,253	$ 346,108	$ 830,443	$ 3,404,330
Intergovernmental	0	0	25,000	0	0	25,000
Miscellaneous	347	0	20	10,501	609	11,477
Total Operating Revenues	841,861	849,012	562,273	356,609	831,052	3,440,807
OPERATING EXPENSES:						
Operations and Maintenance	792,133	0	48,580	302,251	736,235	1,879,199
Payment of Premiums and Claims	0	781,597	0	0	0	781,597
General Administration	0	822	0	0	0	822
Depreciation/Amortization	41,672	0	324,416	0	86,161	452,249
Total Operating Expenses	833,805	782,419	372,996	302,251	822,396	3,113,867
OPERATING INCOME (LOSS)	8,056	66,593	189,277	54,358	8,656	326,940
NON-OPERATING REVENUES (EXPENSES)						
Interest Revenue	2,971	4,434	3,615	583	679	12,282
Gains (Losses) on Capital Asset Disposition	0	0	(105,771)	0	0	(105,771)
Insurance Recoveries	0	20,604	0	0	0	20,604
Capital Contributions	0	0	9,780	0	2,016	11,796
Non-Operating Revenues Net of Expenses	2,971	25,038	(92,376)	583	2,695	(61,089)
Net Income Before Transfers	11,027	91,631	96,901	54,941	11,351	265,851
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
NET INCOME	11,027	91,631	96,901	54,941	11,351	265,851
NET ASSETS AT JANUARY 1	1,357,685	1,657,368	3,451,319	108,312	586,997	7,161,681
NET ASSETS AT DECEMBER 31	$ 1,368,712	$ 1,748,999	$ 3,548,220	$ 163,253	$ 598,348	$ 7,427,532

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT	FACILITY MAINTENANCE	DATA PROCESSING	TOTAL
Cash Flows From Operating Activities:						
Cash received from customers	$ 841,514	$ 836,130	$ 562,253	$ 346,055	$ 830,443	$ 3,416,395
Cash payments to vendors	(513,617)	(770,493)	(14,730)	(102,502)	(350,761)	(1,752,103)
Cash payments to employees	(270,492)	0	(38,760)	(203,559)	(375,872)	(888,683)
Other operating revenues	347	0	20	10,501	609	11,477
Net cash provided by operations	57,752	65,637	508,783	50,495	104,419	787,086
Cash Flows From Noncapital Financing Activities:						
Loans received from other funds	0	0	0	0	0	0
Repayment of loans received from other funds	0	0	0	0	0	0
Loans to other funds	0	0	0	0	0	0
Repayment of loans from other funds	0	0	0	0	0	0
Interest received on short term loans	0	0	0	0	0	0
Interest paid on short term loans	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Net cash provided by noncapital financing activities	0	0	0	0	0	0
Cash Flows From Capital and Related Financing Activities:						
Acquisition and construction of capital assets	0	0	(288,498)	0	(53,760)	(342,258)
Insurance Recoveries	0	20,604	0	0	0	20,604
Interest & related charges on issuance of Bonds	0	0	0	0	0	0
Principal Payment on Bonds	0	0	0	0	0	0
Interest Payment on Bonds	0	0	0	0	0	0
Interest paid on interfund debt	0	0	0	0	0	0
Proceeds from sale of equipment	0	0	9,628	0	0	9,628
Contributed capital by customers	0	0	9,780	0	2,016	11,796
Net cash used for capital and related financing activities	0	20,604	(269,090)	0	(51,744)	(300,230)
Cash Flows From Investing Activities:						
Purchase of Investment Securities	0	0	0	0	0	0
Proceeds from maturities of investment securities	0	0	0	0	0	0
Interest on investments	2,971	4,434	3,615	583	679	12,282
Net cash provided (used) in investing activities	2,971	4,434	3,615	583	679	12,282
Net increase (decrease) in cash and cash equivalents	60,723	90,675	243,308	51,078	53,354	499,138
Cash and cash equivalents at beginning of year	956,940	1,763,179	1,079,817	139,677	184,004	4,123,617
Cash and cash equivalents at end of year	$ 1,017,663	$ 1,853,854	$ 1,323,125	$ 190,755	$ 237,358	$ 4,622,755

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

CITY OF WENATCHEE, WASHINGTON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE PERIOD ENDED DECEMBER 31, 2010

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT	FACILITY MAINTENANCE	DATA PROCESSING	TOTAL
RECONCILLIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	$ 8,056	$ 66,593	$ 189,277	$ 54,358	$ 8,656	$ 326,940
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	41,672	0	324,416	0	86,161	452,249
Change in assets and liabilities:						
(Increase) Decrease Accounts Receivable	0	(12,882)	0	(52)	0	(12,934)
(Increase) Decrease Due From Other Funds	0	0	0	0	0	0
(Increase) Decrease Due From Other Governments	0	0	0	0	0	0
(Increase) Decrease Inventory	(1,843)	0	0	0	0	(1,843)
(Increase) Decrease Prepaid Items	0	0	0	0	0	0
Increase (Decrease) Vouchers Payable	8,438	11,926	(4,910)	(4,626)	940	11,768
Increase (Decrease) Wages Payable	130	0	0	0	0	130
Increase (Decrease) Due to Other Funds	0	0	0	0	0	0
Increase (Decrease) Accrued Employee Leave	1,299	0	0	815	8,662	10,776
Total Adjustments	49,696	(956)	319,506	(3,863)	95,763	460,146
Net Cash Provided by Operating Activities	$ 57,752	$ 65,637	$ 508,783	$ 50,495	$ 104,419	$ 787,086

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