



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
City of Wenatchee

For the period January 1, 2019 through December 31, 2019

Published September 30, 2020

Report No. 1027096





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

September 30, 2020

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,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Wenatchee January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Program

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

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Wenatchee January 1, 2019 through December 31, 2019

This schedule presents the status of federal findings reported in prior audit periods.

Audit Period: 2018	Report Ref. No.: 1024649	Finding Ref. No.: 2018-001	CFDA Number(s): 20.205
Federal Program Name and Granting Agency: Highway Planning and Construction – Federal Highway Administration		Pass-Through Agency Name: Washington State Department of Transportation	
Finding Caption: The City did not have adequate internal controls comply with Davis-Bacon Act (wage rate) requirements.			
Background: The City did not have an adequate process in place to collect all weekly certified payroll reports from each contractor and subcontractor performing work on its federally funded project. This internal control deficiency prevented the City from obtaining nine of the 13 required certified weekly payroll reports. The City made reasonable efforts to collect the certified payroll reports, but paid the contractors \$229,875 before obtaining and reviewing them for compliance.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>In the past, Project Managers were responsible to ensure the receipt of certified payrolls. This process has now been centralized so the City’s Contracts Coordinator is responsible for processing payments on Capital Improvement Projects. The Contracts Coordinator now verifies with respective Project Managers on all federally-funded projects to ensure certified payrolls have been received. Payment will be withheld for any contractor that has not provided adequate documentation.</i>			

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of Wenatchee
January 1, 2019 through December 31, 2019**

Mayor and City Council
City of Wenatchee
Wenatchee, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 22, 2020.

As discussed in Note 16 to the financial statements, during the year ended December 31, 2019, the City implemented Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*.

As discussed in Note 17 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

September 22, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Wenatchee
January 1, 2019 through December 31, 2019**

Mayor and City Council
City of Wenatchee
Wenatchee, Washington

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

We have audited the compliance of the City of Wenatchee, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

September 22, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Wenatchee January 1, 2019 through December 31, 2019

Mayor and City Council
City of Wenatchee
Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 17.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 16 to the financial statements, in 2019, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board

who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy
State Auditor
Olympia, WA

September 22, 2020

FINANCIAL SECTION

City of Wenatchee January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net
Position – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2019

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Funds to the Statement of Activities – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2019

Statement of Cash Flows – Proprietary Funds – 2019

Statement of Net Position – Fiduciary Funds – 2019

Statement of Changes in Net Position – Fiduciary Funds – 2019

Notes to the Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB and Related Ratios – 2019

Schedule of Changes in the Net Pension Liability and Related Ratios – Firemen's
Pension Fund – 2019

Schedule of Employer Contributions – Firemen's Pension Fund – 2019

Schedule of Investment Plans – Firemen's Pension Fund – 2019

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3,
LEOFF 1, LEOFF 2 – 2019
Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 2 – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2019
Notes to the Schedule of Expenditures of Federal Awards – 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which immediately follows this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The fund financial statements are presented immediately following the government-wide financial statements. There are three categories of the fund financial statements, 1) governmental, 2) proprietary, and 3) fiduciary. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wenatchee, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The proprietary fund financial statements are prepared using the same basis of accounting as the government-wide financial statements. The City's proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utilities that are expected to fully recover costs. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal services funds to account for the maintenance and replacement of its fleet of vehicles, the maintenance of facilities, the administration of property and liability insurance and its management information systems. Because all of these services predominantly benefit government rather than business-type functions, they have been included with the governmental activities in the government-wide financial statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wenatchee, assets exceeded liabilities by \$196,252,061 at the close of the most recent fiscal year. The largest portion of the City's net position (70%) is comprised of its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

An additional portion of the City's net position (12%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$36,159,471 is unrestricted and may be used to meet the government's ongoing obligation to its citizens and creditors.

City of Wenatchee's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	52,595,584	42,247,956	29,412,553	31,771,476	82,008,137	74,019,432
Capital assets	118,972,418	110,996,878	77,237,538	74,779,651	196,209,956	185,776,529
Total assets	171,568,001	153,244,834	106,650,091	106,551,127	278,218,092	259,795,961
Deferred Outflows	1,668,071	1,601,123	4,765,144	336,547	6,433,215	1,937,670
Liabilities						
Long-term liabilities	41,640,163	31,845,331	39,882,629	35,744,336	81,522,792	67,589,667
Other liabilities	2,845,556	2,065,778	878,123	802,254	3,723,679	2,868,032
Total liabilities	44,485,719	33,911,109	40,760,752	36,546,590	85,246,471	70,457,699
Deferred Inflows	2,480,542	2,182,961	672,232	511,923	3,152,774	2,694,884
Net Position						
Invested in capital assets	93,095,078	93,716,199	44,375,344	40,643,895	137,470,422	134,360,094
Restricted	14,579,070	4,045,399	8,043,099	10,579,563	22,622,169	14,624,962
Unrestricted	18,595,663	20,990,290	17,563,808	18,605,703	36,159,471	39,595,993
Total net position	126,269,810	118,751,888	69,982,251	69,829,161	196,252,061	188,581,049

Governmental activities increased the City of Wenatchee's net position by \$7,517,924, accounting for 84% of total growth in the government's net position. The increase in net position is due to general capital asset

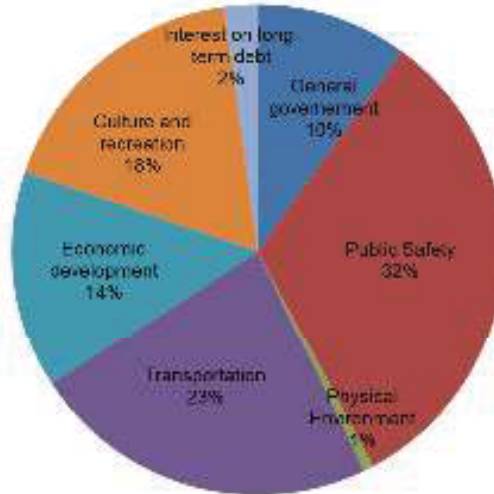
purchases or construction and strong economy-related revenue performance that drives increases in sales tax.

Business-type activities increased City of Wenatchee's net position by \$1,418,251, accounting for 16% of total growth in the government's net position. The increase in net position for business-type activities was driven by the repayment of debt, acquisition of utility infrastructure, and an increase in utility rates to fund future utility projects.

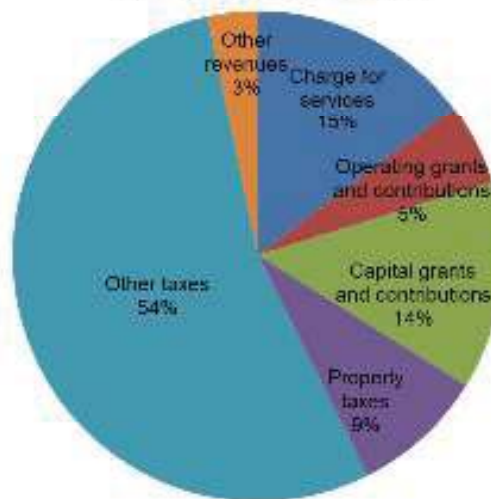
City of Wenatchee's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charge for services	6,821,740	7,973,964	18,371,130	17,353,341	25,192,870	25,327,305
Operating grants and contributions	2,506,192	1,862,053	61,618	23,382	2,567,810	1,885,435
Capital grants and contributions	6,320,268	3,792,782	-	491,060	6,320,268	4,283,842
General revenues:						
Property taxes	4,035,094	3,718,510	-	-	4,035,094	3,718,510
Other Taxes	24,975,996	24,552,685	-	-	24,975,996	24,552,685
Other revenues	1,532,450	413,251	770,524	437,867	2,302,974	851,118
Total revenues	46,191,740	42,313,245	19,203,272	18,305,650	65,395,012	60,618,895
Expenses:						
General government	3,982,535	4,900,406	-	-	3,982,535	4,900,406
Public Safety	12,803,590	9,093,014	-	-	12,803,590	9,093,014
Physical Environment	263,391	289,050	-	-	263,391	289,050
Transportation	9,122,452	6,358,814	-	-	9,122,452	6,358,814
Economic development	5,740,245	4,877,632	-	-	5,740,245	4,877,632
Culture and recreation	7,009,706	6,142,376	-	-	7,009,706	6,142,376
Interest on long-term debt	865,921	599,152	-	-	865,921	599,152
Water	-	-	5,272,486	4,834,485	5,272,486	4,834,485
Sewer	-	-	7,538,387	6,912,150	7,538,387	6,912,150
Storm Drain	-	-	2,277,765	1,669,250	2,277,765	1,669,250
Regional Water	-	-	1,099,530	1,168,178	1,099,530	1,168,178
Cemetery	-	-	522,829	326,469	522,829	326,469
Total expenses	39,787,840	32,260,444	16,710,997	14,910,532	56,498,837	47,170,976
Increase in net position before transfers	6,403,900	10,052,801	2,492,275	3,395,118	8,896,175	13,447,919
Transfers	1,114,024	133,000	(1,074,024)	(93,000)	40,000	40,000
Increase in net position	7,517,924	10,185,801	1,418,251	3,302,118	8,936,175	13,487,919
Net position January 1,	118,751,886	115,534,727	69,829,161	67,307,847	188,581,047	182,842,574
Prior Period Correction	-	(6,968,641)	(1,265,161)	(780,804)	(1,265,161)	(7,749,445)
Net position December 31,	126,269,810	118,751,888	69,982,251	69,829,161	196,252,061	188,581,049

Expenses - Governmental Activities



Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The General Fund, Economic Development Capital Projects Fund, and the New City Hall Remodel Fund made up the City's major governmental funds during the most recent fiscal year. Together these three funds account for \$24,591,216 (56%) of total governmental fund assets and \$16,034,479 (50%) of the total governmental fund balance.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31,775,473, an increase of \$6,804,385 compared to prior year. Of this figure, \$3,704,813

(12%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either legally required to be maintained intact (\$1,209,584), restricted by external regulation (\$21,982,891), committed by internal regulation (\$3,780,096), or assigned by the City for particular purposes (\$1,098,089).

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 \$11,177,532. Of this, \$9,924,976 is unassigned fund balance and \$1,098,089 is assigned to Pre-LEOFF and LEOFF 1 mandated health costs. As of December 31, 2019, the total General fund balance represented 36% of total General fund expenditures and the unassigned fund balance represented 32% of total general fund expenditures. The fund balance decreased by \$2,385,484. Because the General fund had accumulated a significant balance, the City budgeted to spend down some of the balance as part of the 2019 budget. Some major expenditures include additional funds for street preservation, construction of parks, and contributions toward the purchase of the new City Hall facility.

General Fund Balance as a Percentage of Expenditures					
Year	Total Fund Balance	Unassigned Fund Balance	Expenditures and other Financing Uses	Fund Balance as a % of Expenditures	
				Total	Unassigned
2019	11,177,532	9,924,976	31,184,743	35.84%	31.83%
2018	13,563,016	12,153,394	24,744,561	54.81%	49.12%
2017	12,059,988	10,471,865	25,284,423	47.70%	41.42%
2016	10,830,572	9,250,136	20,990,684	51.60%	44.07%
2015	7,846,364	6,532,100	23,713,026	33.09%	27.55%

The Economic Development Capital Projects fund balance decreased by \$2,175,857 during 2019. The decrease is due to the purchase of the old Washington State Department of Transportation property as part of the North Wenatchee Avenue Redevelopment project. This fund has a negative fund balance due to having to borrow funds until North Wenatchee Avenue properties are sold for development.

The New City Hall Remodel fund is a new capital project fund for 2019. After using bond proceeds to reimburse the initial costs of the new City Hall building and design, the remaining proceeds were deposited into the New City Hall Remodel fund, which increased its fund balance by \$10,496,059.

Proprietary funds. The Water Utility fund, Sewer Utility fund, Storm Drain Utility fund and the Regional Water fund made up the City's major business-type funds during the most recent fiscal year. Together these four funds accounted for \$105,878,635 (99%) of total enterprise fund assets. These funds also accounted for \$69,352,854 (99%) of total enterprise fund net position.

Unrestricted net position of the Water Utility Fund was \$958,146 at the end 2019, a decrease of \$1,309,506. Much of this decrease is due to increased capital project spending in line with the Water Utility Comprehensive Plan. The capital project spending is expected to slow in coming years.

Unrestricted net position of the Sewer Utility Fund was \$9,303,502 at the end 2019, a decrease of \$60,578. Much of this decrease is due to increased capital project spending and the recognition of asset retirement obligations as per GASB statement 83.

Unrestricted net position of the Storm Drain Utility was \$3,362,833 at the end of 2019, a decrease of \$601,171. This decrease is due to the recognition of asset retirement obligations as per GASB statement 83 and the consolidation of the Regional Decant Facility into the Storm Drain Utility fund.

Unrestricted net position of the Regional Water Fund was \$3,765,919 at the end of 2019, an increase of \$959,846. Much of this increase is due to utility rates designed to intentionally grow the net position to finance future capital.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures are generally less than final budgeted expenditures. The main reason for this is that employee turnover and unfilled positions leave budget authority that goes unspent. In addition, the City is legally required to operate within its given budget and typically spends its budget conservatively. The actual revenues were greater than budgeted revenues due a strengthening local economy and generally conservative budgeting.

Through the course of the year General Fund appropriations were amended from \$29,678,780 to \$33,798,250 for a total increase of \$4,119,470. Major increases approved include \$760,000 for increased street pavement preservation, \$820,000 in additional funding for a shortfall in the Kiwanis Methow Park project, \$585,000 for the purchase of property adjacent to the Public Services Center, and \$1,500,000 to reimburse the Economic Development fund for the purchase of the new City Hall. In addition, there were several minor budget adjustments for one-time purchases and tasks.

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, 2019, is \$196,209,995 (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility systems, improvements, machinery and equipment and streets. Major capital asset events during the current fiscal year included the following:

- Purchase of the old Washington State Department of Transportation property for \$3,664,888, financed with interfund loans and to be repaid when the property is redeveloped and sold.
- Environmental improvements at Saddle Rock Park for \$1,067,759, finance with grants.
- Kiwanis Methow park construction for \$2,872,566, financed with grants, private contributions, and General funds.
- Replacement and improvements of the Montana/Dakota Streets water main for \$857,630, finance with Water fund reserves and increases in utility rate.
- Construction of the Olds Station force main for \$2,185,056, financed with Sewer bond proceeds that will be repaid with increases in utility rates and connection charges.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	26,093,429	22,225,679	2,809,462	2,553,559	28,902,891	24,779,238
Intangible Assets	-	-	2,704,831	2,704,831	2,704,831	2,704,831
Buildings	25,404,595	26,450,133	21,319,242	19,760,072	46,723,837	46,210,205
Improvements other than buildings	3,806,257	4,263,511	603,562	635,389	4,409,819	4,898,900
Machinery and equipment	4,474,950	4,126,270	405,913	462,524	4,880,863	4,588,794
Infrastructure	52,116,314	52,468,303	47,942,556	41,702,905	100,058,870	94,171,208
Construction in progress	7,076,872	1,462,982	1,451,972	6,960,371	8,528,844	8,423,353
Total	118,972,417	110,996,878	77,237,538	74,779,651	196,209,955	185,776,529

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

Long-term Debt. At the end of the current fiscal year, the City of Wenatchee had bond and loan related long-term debt of \$58,726,752. Of this amount, \$24,745,759 is comprised of general obligation bonds issued by the City that are backed by the full faith and credit of the government, \$203,821 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, \$27,761,476 represents revenue bonds secured solely by utility revenue sources, \$6,015,696 represents loans from the State of Washington to renovate our wastewater treatment plant other sewer improvements, and to purchase property to extend McKittrick Street. Loans for the wastewater and sewer projects will be repaid solely by utility revenue sources. Loans for extending McKittrick Street will be repaid by proceeds of property sales, but backed by the General fund.

The City's bond related total long-term debt increased by \$10,281,569 (24%) during the current fiscal year. The increase is mostly due to the issuance of \$12,180,000 of LTGO Bonds to finance the New City Hall Remodel and foothills street improvements.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	24,745,759	15,498,506	-	-	24,745,759	15,498,506
Special assessment debt	203,821	238,678	-	-	203,821	238,678
Revenue bonds	-	-	27,761,476	26,715,000	27,761,476	26,715,000
Loans	927,759	859,409	5,087,937	5,133,590	6,015,696	5,992,999
Total	25,877,339	16,596,593	32,849,413	31,848,590	58,726,752	48,445,183

Standard & Poor's assigned AA- bond ratings to all bond issued by the City of Wenatchee as of 12/31/2019 as listed below.

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

The City's has approximately \$27.8 million in non-voted debt capacity available as indicated below:

	2.5% General Purpose		With a Public Vote		Total
	Without a Public Vote 1.50%	With a Public Vote 1.00%	Utility Purpose 2.50%	Open Space, Park, and Capital Facilities 2.50%	
Legal Limit*	51,934,447	34,622,965	86,557,412	86,557,412	259,672,236
Outstanding Indebtedness	(21,581,000)	(618,476)	0	0	(22,199,476)
Loan Guarantees	(2,527,500)	0	0	0	(2,527,500)
Margin Available	<u>27,825,947</u>	<u>34,004,489</u>	<u>86,557,412</u>	<u>86,557,412</u>	<u>234,945,260</u>
* Based upon the Chelan County Assessors 2018 assessment of property values for 2019 property taxes:			\$3,462,296,482		

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

REQUESTS FOR INFORMATION

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business Activities	Total	Public Facilities District
ASSETS				
Cash and cash equivalents	31,915,505	16,399,736	48,315,241	10,657,069
Investments	9,653,609	7,740,997	17,394,606	-
Receivables (net)	7,034,463	1,394,252	8,428,715	1,515,386
Inventories	18,722	147,568	166,290	71,021
Prepaid expenses	-	30,000	30,000	101,456
Internal balances	(3,700,000)	3,700,000	-	-
Net pension asset	4,467,961	-	4,467,961	-
Equity interest in joint venture	3,205,324	-	3,205,324	-
Capital assets not being depreciated:				
Land	26,093,429	2,809,462	28,902,891	1,706,915
Intangible assets	-	2,704,831	2,704,831	41,254
Construction in progress	7,076,872	1,451,972	8,528,844	-
Capital assets, net of accumulated depreciation:				
Buildings	25,404,595	21,319,242	46,723,837	27,688,658
Other improvements	3,806,257	603,562	4,409,819	859,960
Machinery and equipment	4,474,950	405,913	4,880,863	-
Infrastructure	52,116,314	47,942,556	100,058,870	-
Total Assets	<u>171,568,001</u>	<u>106,650,091</u>	<u>278,218,092</u>	<u>42,641,719</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	63,472	-	63,472	-
Related to asset retirement obligations	-	4,286,333	4,286,333	-
Related to pensions	1,604,599	478,811	2,083,410	-
Total Deferred Outflow of Resources	<u>1,668,071</u>	<u>4,765,144</u>	<u>6,433,215</u>	<u>-</u>
LIABILITIES				
Current payables	2,716,138	632,314	3,348,452	239,070
Claims and judgements payable	129,418	-	129,418	-
Custodial	-	123,713	123,713	457,411
Accrued interest payable	-	122,096	122,096	728,683
Noncurrent liabilities				
Due within one year	1,255,011	1,818,922	3,073,933	1,208,816
Due in more than one year	40,385,152	38,063,707	78,448,859	40,067,310
Total liabilities	<u>44,485,719</u>	<u>40,760,752</u>	<u>85,246,471</u>	<u>42,701,290</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	2,480,542	672,232	3,152,774	-
Total Deferred Inflow of Resources	<u>2,480,542</u>	<u>672,232</u>	<u>3,152,774</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	93,095,078	44,375,344	137,470,422	(10,870,523)
Restricted for:				
Capital projects	10,607,889	4,763,983	15,371,872	-
Debt service	-	3,279,116	3,279,116	9,621,144
Pension	3,971,181	-	3,971,181	-
Unrestricted	18,595,663	17,563,808	36,159,471	1,189,808
Total net position	<u>126,269,810</u>	<u>69,982,251</u>	<u>196,252,061</u>	<u>(59,571)</u>

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, 2019

Functions/Programs	Program Revenues				Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
Governmental Activities					Public Facilities District
General government	3,982,535	165,494	12,817	(448,010)	-
Public safety	12,803,590	817,429	-	(10,675,129)	-
Physical Environment	263,391	450,000	-	216,609	-
Transportation	9,122,452	969,851	3,650,268	(4,113,575)	-
Economic environment	5,740,245	101,818	-	(4,383,511)	-
Culture and recreation	7,009,706	1,600	2,657,183	(3,870,103)	-
Interest on long-term debt	865,921	-	-	(865,921)	-
Total governmental activities	39,787,840	2,506,192	6,320,268	(24,139,640)	-
Business Activities					
Water	5,272,486	-	-	138,265	-
Sewer	7,538,387	-	-	1,217,201	-
Storm Drain	2,277,765	61,618	-	234,724	-
Regional Water	1,099,530	-	-	450,985	-
Cemetery	522,829	-	-	(319,424)	-
Total business type activities	16,710,997	61,618	-	1,721,751	-
Total Primary Government	56,498,837	2,567,810	6,320,268	(24,139,640)	-
Component Units					
Public Facilities District	8,786,069	-	6,960,475	-	2,062,519
Total Component Unit	8,786,069	-	6,960,475	-	2,062,519
		General Revenues:			
		Property Taxes	4,035,094	-	4,035,094
		Sales Taxes	14,311,629	-	14,311,629
		City Utility Taxes	6,886,486	-	6,886,486
		Other Taxes	3,777,881	-	3,777,881
		Unrestricted investment earnings	714,965	770,524	1,485,489
		Gain on Sale of Capital Assets	817,485	-	817,485
		Transfers	1,114,024	(1,074,024)	40,000
		Total general revenues	31,657,564	(303,500)	31,354,064
		Change in net position	7,517,924	1,418,251	8,936,175
		Net position beginning balance	118,751,886	69,829,161	188,581,047
		Prior Period Correction	-	(1,265,161)	(1,265,161)
		Net position ending balance	126,269,810	69,982,251	196,252,061

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

**CITY OF WENATCHEE, WA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	General	Economic Development Projects	New City Hall Remodel	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	2,734,856	1,233,369	10,542,346	12,435,295	26,945,866
Investments	1,777,271	814,508	-	3,780,576	6,372,355
Receivables:					
Taxes Receivable	290,503	-	-	6,828	297,331
Accounts Receivable	379,542	-	-	490,497	870,039
Due from Other Funds	510,752	-	-	-	510,752
Intergovernmental	2,470,967	137,102	-	2,629,001	5,237,070
Restricted Assets:					
Interfund Loans Receivable	3,700,000	-	-	-	3,700,000
Total assets	<u>11,863,891</u>	<u>2,184,979</u>	<u>10,542,346</u>	<u>19,342,197</u>	<u>43,933,413</u>
LIABILITIES					
Accounts Payable	505,604	424,091	46,287	994,296	1,970,278
Wages Payable	1,258	-	-	8,048	9,306
Due To Other Funds	-	-	-	510,752	510,752
Deposits Payable	24,687	-	-	1,225	25,912
Interfund Loans Payable	-	7,400,000	-	-	7,400,000
Total Liabilities	<u>531,549</u>	<u>7,824,091</u>	<u>46,287</u>	<u>1,514,321</u>	<u>9,916,248</u>
DEFERRED INFLOWS of RESOURCES					
Unavailable revenues:					
Special Assessments	-	-	-	246,417	246,417
Property Taxes	58,225	-	-	5,643	63,868
Grant Reimbursements	-	-	-	1,575,344	1,575,344
Misc. Billings	96,585	-	-	259,478	356,063
Total Deferred Inflows of Resources	<u>154,810</u>	<u>-</u>	<u>-</u>	<u>2,086,882</u>	<u>2,241,692</u>
FUND BALANCE					
Nonspendable	-	-	-	1,209,584	1,209,584
Restricted	66,005	-	10,496,059	11,420,827	21,982,891
Committed	88,462	-	-	3,691,634	3,780,096
Assigned	1,098,089	-	-	-	1,098,089
Unassigned	9,924,976	(5,639,112)	-	(581,051)	3,704,813
Total Fund Balances	<u>11,177,532</u>	<u>(5,639,112)</u>	<u>10,496,059</u>	<u>15,740,994</u>	<u>31,775,473</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>11,863,891</u>	<u>2,184,979</u>	<u>10,542,346</u>	<u>19,342,197</u>	<u>43,933,413</u>

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 POSITION
December 31, 2019

Total Fund Balance Governmental Funds 31,775,473

The amounts for the governmental activities in the statement of net assets are different because:

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

Value of governmental assets	137,160,025	
Less accumulated depreciation	(22,629,565)	
		114,530,460
		(118,972,417)

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

Equity interest in joint venture	3,205,324
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Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Special Assessments	246,417	
Property Taxes	63,868	
Grant Reimbursements	1,575,344	
Misc. Billings	356,063	
		2,241,692

Long term liabilities are not reported in the governmental funds.

Councilmanic Bonds Payable	(21,581,000)	
UTGO Bonds Payable	(618,476)	
LID Bonds Payable	(203,820)	
State CERB Loan	(859,409)	
State PWTF Loan	(68,350)	
Unamortized Loss on Refinancing	63,472	
Unamortized Bond Premium	(2,546,283)	
Employee Leave Benefits	(1,347,042)	
		(27,160,909)

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

OPEB Benefit for LEOFF	(11,885,595)	
Firemen's Pension	347,691	
Pension Related Debt	1,464,935	
		(10,072,969)

The Internal Service Funds' assets and liabilities are reported in the governmental funds. 11,750,739

Net position of governmental activities	7,297,393
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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
For Fiscal Year Ended December 31, 2019

	<u>General</u>	<u>Economic Development Projects</u>	<u>New City Hall Remodel</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	22,093,242	-	-	6,905,677	28,998,919
Licenses and Permits	1,127,901	-	-	-	1,127,901
Intergovernmental	1,180,537	469,338	-	5,863,299	7,513,174
Charges for services	1,691,712	-	-	1,470,867	3,162,579
Fines and Forfeits	1,049,039	-	-	-	1,049,039
Investment earnings	226,101	30,165	61,887	396,812	714,965
Special Assessment Payments	-	-	-	9,847	9,847
Miscellaneous	74,259	-	-	1,094,273	1,168,532
Total Revenues	<u>27,442,791</u>	<u>499,503</u>	<u>61,887</u>	<u>15,740,775</u>	<u>43,744,956</u>
EXPENDITURES					
Current:					
General Government	6,334,491	-	-	74	6,334,565
Security of Persons & Property	10,241,198	-	-	33,523	10,274,721
Physical Environment	11,327	-	-	-	11,327
Transportation	55,908	-	-	4,784,341	4,840,249
Economic Environment	2,999,855	352,232	-	1,645,679	4,997,766
Culture & Recreation	2,835,471	-	-	3,655,544	6,491,015
Capital Outlay					
General Government	-	-	46,412	-	46,412
Security of Persons & Property	93,639	-	-	-	93,639
Culture & Recreation	-	-	-	4,613,240	4,613,240
Economic Development	-	4,812,253	-	92,608	4,904,861
Highway/streets	615,753	-	-	3,630,159	4,245,912
Debt Service					
Principal Retirement	-	3,626,815	-	1,887,072	5,513,887
Interest and other charges	-	113,192	152,365	600,364	865,921
Total Expenditures	<u>23,187,642</u>	<u>8,904,492</u>	<u>198,777</u>	<u>20,942,604</u>	<u>53,233,515</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>4,255,149</u>	<u>(8,404,989)</u>	<u>(136,890)</u>	<u>(5,201,829)</u>	<u>(9,488,559)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	406,583	1,862,158	2,453,183	8,240,206	12,962,130
Proceeds from Sale of Capital Assets	949,885	324,401	-	-	1,274,286
Debt Issuance Proceeds	-	3,475,892	7,032,458	1,740,000	12,248,350
Premium on Bonds Issued	-	566,681	1,147,308	286,477	-
Transfers Out	(7,997,101)	-	-	(4,195,187)	(12,192,288)
Total Other Financing Sources (Uses)	<u>(6,640,633)</u>	<u>6,229,132</u>	<u>10,632,949</u>	<u>6,071,496</u>	<u>14,292,478</u>
Change in Fund Balance	(2,385,484)	(2,175,857)	10,496,059	869,667	4,803,919
Fund Balance January 1	<u>13,563,016</u>	<u>(3,463,255)</u>	<u>-</u>	<u>14,871,327</u>	<u>24,971,088</u>
Fund Balance December 31	<u>11,177,532</u>	<u>(5,639,112)</u>	<u>10,496,059</u>	<u>15,740,994</u>	<u>29,775,007</u>

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 Fiscal Year Ended December 31, 2019

Net change in fund balance - total governmental funds 6,804,385

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

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

Capital Outlay	10,353,027	
Disposition of Capital Assets	(853,326)	
Depreciation Expense	(1,636,701)	
		7,863,000

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

Decreases in Special Assessments Receivable	(9,850)	
Increases in Property Taxes Receivable	12,171	
Increases in Grant and Misc. Billings	1,059,618	
Increase in Joint Venture Equity Interest	520,888	
		1,582,827

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

Bonds Issued	(12,180,000)	
State Loans Received	(68,350)	
Bonds Paid	5,479,029	
LID Bonds Paid	34,858	
Amortization of loss on refunding	(31,737)	
Amortization of bond premium	(1,862,197)	
		(8,628,397)

The Internal Service funds are used to support governmental activities.

The net revenue (expense) of these funds are reported in governmental activities. 911,542

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

Increase in OPEB benefit for LEOFF liability	(1,838,665)	
Decrease in Firemen's Pension asset	(110,950)	
Decrease in pension related debt	1,083,698	
		(865,917)

Increases in governmental fund compensated absences payable (149,516)

Change in net position of governmental activities. 7,517,924

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

CITY OF WENATCHEE, WA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND

For Fiscal Year Ended December 31, 2019

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
REVENUES				
Taxes	21,663,020	21,663,020	22,093,242	430,222
Licenses & Permits	960,500	960,500	1,127,901	167,401
Intergovernmental	915,400	1,073,060	1,180,537	107,477
Charges for Services	1,414,620	1,426,020	1,687,992	261,972
Fines & Forfeits	1,003,000	1,003,000	1,030,316	27,316
Interest Earnings	92,000	92,000	138,414	46,414
Miscellaneous	47,360	47,360	74,259	26,899
Total Revenues	<u>26,095,900</u>	<u>26,264,960</u>	<u>27,332,661</u>	<u>1,067,701</u>
EXPENDITURES				
Current:				
General Government	6,762,380	6,635,630	6,334,491	301,139
Security of Persons & Property	10,222,600	10,487,600	9,846,163	641,437
Physical Environment	-	-	-	-
Transportation	235,000	273,000	55,908	217,092
Economic Environment	2,988,090	3,234,000	2,999,855	234,145
Culture & Recreation	2,882,420	3,097,130	2,835,471	261,659
Capital Outlay	1,140,290	1,620,290	709,392	910,898
Debt Service:				
Principal Retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	<u>24,230,780</u>	<u>25,347,650</u>	<u>22,781,280</u>	<u>2,566,370</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,865,120</u>	<u>917,310</u>	<u>4,551,381</u>	<u>3,634,071</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	260,400	260,400	366,583	106,183
Proceeds from Sale of Capital Assets	-	537,000	949,885	412,885
Debt Issuance Proceeds	325,000	325,000	-	(325,000)
Transfers Out	(5,448,000)	(8,450,600)	(8,147,101)	303,499
Total Other Financing Sources (Uses)	<u>(4,862,600)</u>	<u>(7,328,200)</u>	<u>(6,830,633)</u>	<u>497,567</u>
Change in Fund Balance	(2,997,480)	(6,410,890)	(2,279,252)	4,131,638
Fund Balance January 1	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,678,130</u>	<u>678,130</u>
Fund Balance December 31	<u>7,002,520</u>	<u>3,589,110</u>	<u>8,398,878</u>	<u>4,809,768</u>

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

	401 WATER	405 SEWER	410 STORM DRAIN	415 REGIONAL WATER	420 - 430 OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
ASSETS							
Current Assets							
Cash and cash equivalents	755,110	2,772,569	2,340,930	2,303,310	184,718	8,356,637	4,857,809
Investments	701,977	3,711,324	1,684,389	1,521,845	121,462	7,740,997	3,281,254
Accounts receivable	372,835	725,285	171,219	-	9,287	1,278,626	119,271
Intergovernmental receivable	-	-	24,851	90,775	-	115,626	-
Interfund loan receivable	-	3,700,000	-	-	-	3,700,000	-
Inventory of material and supplies	147,568	-	-	-	-	147,568	18,722
Prepaid expense	15,493	14,507	-	-	-	30,000	-
Cash - restricted for capital	-	4,763,983	-	-	-	4,763,983	111,830
Total current assets	<u>1,992,983</u>	<u>15,687,668</u>	<u>4,221,389</u>	<u>3,915,930</u>	<u>315,467</u>	<u>26,133,437</u>	<u>8,388,886</u>
Noncurrent Assets							
Cash - restricted for debt service	307,378	2,763,926	207,812	-	-	3,279,116	-
Capital assets							
Land	412,617	927,432	947,310	302,446	219,657	2,809,462	-
Buildings	4,672,886	30,005,381	2,442,079	2,623,394	433,606	40,177,346	-
Other improvements	244,481	1,258,004	324,635	2,775,464	22,572	4,625,156	-
Machinery and equipment	1,907,932	522,871	32,467	286,692	-	2,749,962	9,756,853
Infrastructure	25,701,327	32,203,591	9,533,544	9,294,326	-	76,732,788	-
Construction in progress	213,476	425,952	812,544	-	-	1,451,972	70,000
Less accumulated depreciation	(14,621,665)	(26,016,877)	(2,956,590)	(7,494,170)	(219,846)	(51,309,148)	(5,384,896)
Total noncurrent assets	<u>18,838,432</u>	<u>42,090,280</u>	<u>11,343,801</u>	<u>7,788,152</u>	<u>455,989</u>	<u>80,516,654</u>	<u>4,441,957</u>
Total Assets	<u>20,831,415</u>	<u>57,777,948</u>	<u>15,565,190</u>	<u>11,704,082</u>	<u>771,456</u>	<u>106,650,091</u>	<u>12,830,843</u>
	18,531,054	39,326,354	11,135,989	7,788,152	455,989	77,237,538	4,441,957
DEFERRED OUTFLOWS OF RESOURCES							
Related to asset retirement	293,750	3,422,583	570,000	-	-	4,286,333	-
Related to pensions	161,269	182,724	73,606	32,078	29,134	478,811	188,636
Total Deferred Outflow of Resources	<u>455,019</u>	<u>3,605,307</u>	<u>643,606</u>	<u>32,078</u>	<u>29,134</u>	<u>4,765,144</u>	<u>188,636</u>
LIABILITIES							
Current liabilities							
Accounts payable	126,868	288,143	149,636	11,184	9,534	585,365	160,379
Wages and benefits payable	-	4,679	-	-	-	4,679	122
Deposits payable	9,500	-	32,770	-	-	42,270	39,389
Claims and judgements payable	-	-	-	-	-	-	129,418
Custodial	103,713	-	-	20,000	-	123,713	-
Due to other funds	-	-	-	-	-	-	-
Accrued interest payable	12,057	97,258	12,781	-	-	122,096	-
Due to other governments - current	-	538,304	25,618	-	-	563,922	-
Revenue bonds payable - current	305,060	771,265	178,675	-	-	1,255,000	-
Total current liabilities	<u>557,198</u>	<u>1,699,649</u>	<u>399,480</u>	<u>31,184</u>	<u>9,534</u>	<u>2,697,045</u>	<u>329,308</u>
Noncurrent liabilities							
Due to other governments	-	4,062,897	461,118	-	-	4,524,015	-
Revenue bonds payable	3,173,751	21,243,745	2,088,980	-	-	26,506,476	-
Asset retirement obligations	500,000	4,000,000	1,000,000	-	-	5,500,000	-
Net pension liability	399,010	452,093	182,113	79,368	72,083	1,184,667	466,720
Compensated absences	112,292	126,780	34,304	26,500	48,673	348,549	207,875
Total Non-current Liabilities	<u>4,185,053</u>	<u>29,885,515</u>	<u>3,766,515</u>	<u>105,868</u>	<u>120,756</u>	<u>38,063,707</u>	<u>674,595</u>
Total Liabilities	<u>4,742,251</u>	<u>31,585,164</u>	<u>4,165,995</u>	<u>137,052</u>	<u>130,290</u>	<u>40,760,752</u>	<u>1,003,903</u>
DEFERRED INFLOWS OF RESOURCES							
Related to Pensions	226,416	256,537	103,339	45,037	40,903	672,232	264,837
Total Deferred Inflow of Resources	<u>226,416</u>	<u>256,537</u>	<u>103,339</u>	<u>45,037</u>	<u>40,903</u>	<u>672,232</u>	<u>264,837</u>
NET POSITION							
Net Invested in Capital Assets	15,052,243	12,710,143	8,368,817	7,788,152	455,989	44,375,344	4,441,957
Restricted	307,378	7,527,909	207,812	-	-	8,043,099	111,830
Unrestricted	958,146	9,303,502	3,362,833	3,765,919	173,408	17,563,808	7,196,952
Total Net Position	<u>16,317,767</u>	<u>29,541,554</u>	<u>11,939,462</u>	<u>11,554,071</u>	<u>629,397</u>	<u>69,982,251</u>	<u>11,750,739</u>

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 POSITION
PROPRIETARY FUNDS
For Fiscal Year Ended December 31, 2019

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
OPERATING REVENUES:							
Residential Utility Sales	2,966,680	3,299,442	976,427	-	-	7,242,549	-
Commercial/Industrial Utility Sales	2,265,805	4,869,618	1,450,713	1,550,515	-	10,136,651	-
Connection Fees	74,609	526,939	-	-	-	601,548	-
Charges for Services	95,298	46,817	22,825	-	199,271	364,211	4,998,393
Intergovernmental	-	-	-	-	-	-	572,384
Miscellaneous	8,359	12,772	906	-	4,134	26,171	401,096
Total Operating Revenues	<u>5,410,751</u>	<u>8,755,588</u>	<u>2,450,871</u>	<u>1,550,515</u>	<u>203,405</u>	<u>18,371,130</u>	<u>5,971,873</u>
OPERATING EXPENSES:							
Operations and Maintenance	2,395,899	2,894,074	1,888,682	700,012	512,885	8,391,552	4,365,028
Payment of Premiums	-	-	-	-	-	-	889,230
General Administration	2,094,888	2,507,721	-	-	-	4,602,609	-
Depreciation/Amortization	650,604	1,261,135	285,500	399,518	9,944	2,606,701	467,279
Total Operating Expenses	<u>5,141,391</u>	<u>6,662,930</u>	<u>2,174,182</u>	<u>1,099,530</u>	<u>522,829</u>	<u>15,600,862</u>	<u>5,721,537</u>
Operating Income (Loss)	269,360	2,092,658	276,689	450,985	(319,424)	2,770,268	250,336
NON-OPERATING REVENUES (EXPENSES)							
Interest Income	69,146	438,178	143,506	109,343	10,351	770,524	235,888
Interest & Related Charges	(131,095)	(875,457)	(103,583)	-	-	(1,110,135)	-
Grant Revenue	-	-	61,618	-	-	61,618	-
Insurance Recoveries	-	-	-	-	-	-	75,593
Gain (Loss) on Capital Assets	-	-	-	-	-	-	(7,274)
Non-Operating Revenues Net of Expense	<u>(61,949)</u>	<u>(437,279)</u>	<u>101,541</u>	<u>109,343</u>	<u>10,351</u>	<u>(277,993)</u>	<u>304,207</u>
Net Income Before Transfers and Contributions							
	207,411	1,655,379	378,230	560,328	(309,073)	2,492,275	554,543
Transfers In	-	-	-	-	311,000	311,000	421,413
Transfers Out	(497,500)	(578,264)	(309,260)	-	-	(1,385,024)	(77,231)
Capital Contributions	-	-	-	-	-	-	12,817
Change in Net Position	(290,089)	1,077,115	68,970	560,328	1,927	1,418,251	911,542
Prior Period Correction	(201,250)	(537,417)	(627,766)	101,272	-	(1,265,161)	-
Net Position January 1	<u>16,809,106</u>	<u>29,001,856</u>	<u>12,498,258</u>	<u>10,892,471</u>	<u>627,470</u>	<u>69,829,161</u>	<u>10,839,197</u>
Net Position December 31	<u><u>16,317,767</u></u>	<u><u>29,541,554</u></u>	<u><u>11,939,462</u></u>	<u><u>11,554,071</u></u>	<u><u>629,397</u></u>	<u><u>69,982,251</u></u>	<u><u>11,750,739</u></u>

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

CITY OF WENATCHEE, WASHINGTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For Fiscal Year Ended December 31, 2019

	<u>WATER</u>	<u>SEWER</u>	<u>STORM DRAIN</u>	<u>REGIONAL WATER</u>	<u>OTHER ENTERPRISE</u>	<u>TOTAL ENTERPRISE</u>	<u>INTERNAL SERVICE FUNDS</u>
Cash Flows from Operating Activities:							
Cash received from customers	5,393,886	8,580,740	2,446,310	1,566,411	204,462	18,191,809	4,932,399
Cash payments to vendors	(3,095,118)	(3,674,799)	(1,050,074)	(421,599)	(273,656)	(8,515,246)	(3,526,479)
Cash payments to employees	(1,497,716)	(1,657,222)	(677,459)	(284,824)	(271,856)	(4,389,077)	(1,670,301)
Other operating revenues	8,359	12,772	906	-	4,134	26,171	973,479
Net cash provided by operating activities	<u>809,411</u>	<u>3,261,491</u>	<u>719,683</u>	<u>859,988</u>	<u>(336,916)</u>	<u>5,313,657</u>	<u>709,098</u>
Cash Flows From Noncapital Financing Activities:							
Transfers	(497,500)	(578,264)	(309,260)	-	311,000	(1,074,024)	380,762
Net cash provided by noncapital financing	<u>(497,500)</u>	<u>(578,264)</u>	<u>(309,260)</u>	<u>-</u>	<u>311,000</u>	<u>(1,074,024)</u>	<u>380,762</u>
Cash Flows From Capital and Related Financing Activities:							
Acquisition and construction of capital assets	(1,164,380)	(3,099,573)	(901,558)	-	-	(5,165,511)	(546,441)
Proceeds from Construction loans	-	-	461,118	-	-	461,118	-
Principal repayment on revenue bonds	(293,970)	(628,481)	(172,549)	-	-	(1,095,000)	-
Interest and related costs paid on revenue bonds	(144,228)	(942,023)	(111,160)	-	-	(1,197,411)	-
Repayment of construction loans	-	(532,389)	-	-	-	(532,389)	-
Interest and related costs on construction loans	-	(52,819)	-	-	-	(52,819)	-
Insurance Recoveries	-	-	-	-	-	-	75,593
Grant proceeds	-	-	61,618	-	-	61,618	-
Capital contributed by customers	-	-	-	-	-	-	12,817
Net cash used for capital and related financing	<u>(1,602,578)</u>	<u>(5,255,285)</u>	<u>(662,531)</u>	<u>-</u>	<u>-</u>	<u>(7,520,394)</u>	<u>(458,031)</u>
Cash Flows From Investing Activities:							
Maturity of investments	1,057,195	1,997,129	402,334	-	71,670	3,528,328	374,952
Purchase of investments	-	-	-	(137,445)	(38,248)	(175,693)	-
Interfund Loan	-	(3,700,000)	-	-	-	(3,700,000)	-
Interest on investments	50,415	340,613	98,133	68,734	7,110	565,005	148,332
Net cash provided(used) in investing activities	<u>1,107,610</u>	<u>(1,362,258)</u>	<u>500,467</u>	<u>(68,711)</u>	<u>40,532</u>	<u>217,640</u>	<u>523,284</u>
Net increase (decrease) in cash and cash equivalents	(183,057)	(3,934,316)	248,359	791,277	14,616	(3,063,121)	1,015,686
Cash and cash equivalents at beginning of year	1,245,545	14,234,794	2,300,383	1,512,033	170,102	19,462,857	3,953,953
Cash and cash equivalents at end of year	<u>1,062,488</u>	<u>10,300,478</u>	<u>2,548,742</u>	<u>2,303,310</u>	<u>184,718</u>	<u>16,399,736</u>	<u>4,969,639</u>
Reconciliation of Operating Income to net cash provided (used) by operating activities							
Operating Income (Loss)	269,360	2,092,658	276,689	450,985	(319,424)	2,770,268	250,336
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation	650,604	1,261,135	285,500	399,518	9,944	2,606,701	467,279
Change in assets and liabilities:							
(Increase) Decrease Accounts Receivable	(6,674)	(174,656)	16,863	58,640	5,191	(100,636)	(17,185)
(Increase)Decrease Prepayments	14,507	(14,507)	-	-	-	-	3,946
(Increase) Decrease Due From Other Governments	-	-	(20,517)	(42,745)	-	(63,262)	-
(Increase) Decrease Due From Other Funds	-	-	-	-	-	-	(48,811)
(Increase) Decrease Inventory	-	-	-	-	-	-	55,242
Increase (Decrease) Accounts Payable	(54,016)	36,335	103,005	(2,191)	1,735	84,868	-
Increase (Decrease) Payroll Taxes Payable	(20)	4,679	-	(112)	-	4,547	39,216
Increase (Decrease) Retainage Payable	17,793	(6,309)	13,615	-	-	25,099	-
Increase (Decrease) Customer Deposits Payable	(1,832)	-	-	-	-	(1,832)	-
Increase (Decrease) Due to Other Government	-	-	25,617	-	-	25,617	-
Increase (Decrease) Due to Other Funds	-	-	-	-	(35,397)	(35,397)	-
Increase (Decrease) Asset Retirement Activities	5,000	40,000	10,000	-	-	55,000	-
Increase (Decrease) Pension Activities	(37,545)	(42,545)	(5,096)	(5,493)	(676)	(91,355)	(23,281)
Increase (Decrease) Accrued Employee Leave	(47,766)	64,701	14,007	1,386	1,711	34,039	(17,644)
Total Adjustments	540,051	1,168,833	442,994	409,003	(17,492)	2,543,389	458,762
Net Cash Provided by Operating Activities	<u>809,411</u>	<u>3,261,491</u>	<u>719,683</u>	<u>859,988</u>	<u>(336,916)</u>	<u>5,313,657</u>	<u>709,098</u>

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

CITY OF WENATCHEE, WA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2019

	FIREMEN'S PENSION TRUST FUND
ASSETS	
Cash	839,072
Investments	671,238
TOTAL ASSETS	1,510,310
LIABILITIES	
TOTAL LIABILITIES	-
Net Position	
Assets held in trust for benefits	1,510,310

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

CITY OF WENATCHEE, WA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For Fiscal Year Ended December 31, 2019

	FIREMEN'S PENSION TRUST FUND
ADDITIONS	
Fire Insurance Premiums	24,652
Interest Income	51,089
Total additions	75,741
DEDUCTIONS	
Retirement Benefits	103,775
General Administration	3,300
Transfers Out	40,000
Total deductions	147,075
Change in net position	(71,334)
Net Position restricted for pensions, January 1	1,581,644
Net Position restricted for pensions, December 31	1,510,310

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

CITY OF WENATCHEE, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Discretely Presented Component Unit

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

The PFD is included in the City of Wenatchee's reporting entity as a discretely presented component unit because of the financial commitment of the 0.2% additional sales and use tax the City imposed in 2012 to assist the PFD with refinancing the outstanding debt. Additional information on the City's relationship with the PFD is discussed in Note 9 and Note 11.

Complete separate financial statements for the Greater Wenatchee Regional Events Center Public Facilities District may be obtained at GWREC PFD, 1300 Walla Walla, Wenatchee, WA 98801.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government wide financial statements (the statement of net position and statement of activities) report information on all the non-fiduciary activities of the primary government and its component units. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or

segment. The City's policy is to not allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operation or capital requirements or a particular function or segment. Taxes and other items properly included among program revenues are reported instead as general revenues.

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

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

The City of Wenatchee reports the following major governmental funds for 2019:

- The **General Fund** is the City of Wenatchee's primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The primary revenue sources are property, sales and utility taxes. GASB 54 requires that funds supported by general revenues but for management reasons are accounted for in separate funds be consolidated with the general fund for reporting purposes. The City consolidates four funds into the General Fund: the Rainy Day, LEOFF Long Term Care, LEOFF Retiree Health Insurance, and the Abatement Funds. This process eliminates transfers between funds and adds the miscellaneous revenues and expenditures to the General Fund's balances. The General Fund's fund balance was increased by: \$1,592,103 Rainy Day Fund; \$662,063 LEOFF Long Term Care Fund; \$436,026 LEOFF Retiree Health Insurance Fund; and \$88,462 Abatement Fund.
- The **Economic Development Capital Projects Fund** accounts for major capital projects undertaken by the City to promote Economic Development. The purchase and sale of properties in North Wenatchee were significant transactions that made this fund a major fund. Industrial properties in North Wenatchee have been purchased to redevelop an area that suffered damage in a prior year fire. These properties will have new roads constructed and sold to promote mixed use zoning.
- The **New City Hall Remodel Capital Projects Fund** accounts for the costs to purchase and remodel the new City Hall facility in the old Federal Building. The majority of the funding for this project come from the bond proceeds of the 2019 LTGO debt issuance.

The City of Wenatchee reports the following major proprietary funds for 2019:

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

Additionally, the City reports 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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

1. Government wide and Governmental Funds

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

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

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

2. Proprietary Funds

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

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

D. BUDGETARY INFORMATION

1. Scope of Budget

Annual appropriated budgets are adopted at the fund level for the governmental funds on the modified accrual basis of accounting. 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. Proprietary funds are also budgeted at a fund level but on a working capital basis. Other budgets are adopted at the level of the fund, except in the general fund where expenditures may not exceed appropriations at the departmental level and the budget constitutes the legal authority for expenditures at that level.

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

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

2. Reconciliation of Budgetary and Actual Statements

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

	Adjustments					
	General Fund		LEOFF			General Fund
	Budgetary Basis	Rainy Day	LEOFF LT Care	Retiree Health	Abatement	
Revenues	27,332,661	49,069	20,270	15,345	25,446	27,442,791
Expenditures	22,781,280		38,946	356,089	11,327	23,187,642
Other Fin. Sources (Uses)	(6,830,633)		50,000	140,000		(6,640,633)
Change in Fund Balance	(2,279,252)	49,069	31,324	(200,744)	14,119	(2,385,484)

3. Amending the Budget

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

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority (5 of 7 councilmembers) after holding a public hearing. During 2019 the budget was amended twice and the budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

4. Excess of Expenditures Over Appropriations

No major fund exceeded its legally adopted budget authority.

5. Deficit Fund Balance/Net Position

- Community Development Block Grant (CDBG) Entitlement Fund (a special revenue fund) has a deficit fund balance of \$33,183 at December 31, 2019. The deficit was a result of the City expending grant financed projects that were not reimbursed until after yearend.
- The Police Station Bond debt service fund has a deficit fund balance of \$7,072 at December 31, 2019. The deficit resulted from delinquencies on property tax collections that support debt service payments on the underlying unlimited tax general obligation bonds. The fund balance is expected to become positive through future collections of delinquent property tax payments by the Chelan County Treasurer.
- The Parks Capital Project Fund has a deficit fund balance of \$540,796 at December 31, 2019. The deficit resulted from incurring ecology clean-up expenses for Saddle Rock and not receiving grant reimbursement until 2020.
- The Economic Development Projects Capital Fund has a deficit fund balance of \$5,639,112 at December 31, 2019. The deficit resulted from interfund loans required to purchase North Wenatchee redevelopment properties. These properties are expected to be sold within a couple years to be able to repay the interfund loans.

E. ASSETS, LIABILITIES, FUND BLANCES, NET POSITION

1. Cash, Cash Equivalents

It is the city's policy to invest all temporary cash surpluses. At December 31, 2019, the state treasurer was holding \$41,814,426 in short term residual investment of surplus cash. This amount is classified on the balance

sheet as cash and cash equivalents. Cash and cash equivalents includes amounts in demand deposit accounts and the State Treasurer's Investment Pool account. State statutes authorize the City to invest in obligations of the U.S. Treasury, State Treasurer's Investment Pool, banker's acceptances, or deposits with Washington State banks and savings and loan institutions. Interest earned on these investments are prorated to the various funds based on the funds' monthly balance.

2. Investments

See Note 3, Deposits and Investments

3. Receivables

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

- Taxes receivable consist of property taxes (see Note 4).
- Accounts Receivable consist of amounts owned by private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.
- Special Assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. Special assessments are recorded when levied. As of December 31, 2019 special assessments receivable totaled \$246,417. One assessment was delinquent at year-end.

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund loans receivable/payable". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". A separate schedule of interfund loans receivable and payable is furnished in Note 12.

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

5. Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories in proprietary funds are valued using the weighted average method and valued at cost. Proprietary funds display a prepaid item in the form of a contribution made in 2019 that will be recognized as a tax credit in 2020.

6. Restricted Assets

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

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

Cash and Investments – Debt Service	\$3,279,116	Cash and Investments – Construction
\$4,763,983		

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of five years and an initial, individual cost of more than \$20,000 for equipment and \$100,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost as of the date of donation.

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

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

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

8. Deferred Outflows/Inflows of Resources/Deferred Revenues

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

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

9. Compensated Absences

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

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

10. Pensions

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

11. Long-term Debt - See Note 9

12. Unavailable Revenues

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

13. Fund Balance Classification

The fund balance amounts for governmental funds have been classified in the following categories:

- *Non-spendable* fund balance includes amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutionally or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint.
- *Assigned* fund balance comprises amounts intended to be used by the government for specific purposes. City Council or Finance Committee is authorized to assign fund balances.
- *Unassigned* fund balance is the residual classification of the general fund and includes all amounts not contained in the other classifications.

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

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

Following is a description of restrictions placed on the various fund balances in 2019:

	General	Economic Development	New City Hall Remodel	Non-Major Funds
Nonspendable				
Cemetery Endowment	-	-	-	1,209,584
Restricted				
Employee benefits	28,651	-	-	-
Construction contracts	8,000	-	-	-
Law enforcement operations	29,354	-	-	-
Building construction	-	-	10,496,059	-
Streets, sidewalks, transportation	-	-	-	4,886,716
Hotel/motel & convention	-	-	-	800,943
Low income assistance programs	-	-	-	925,928
Local revitalization district	-	-	-	4,666,320
Local improvement district	-	-	-	140,920
	<u>66,005</u>	<u>-</u>	<u>10,496,059</u>	<u>11,420,827</u>
Committed				
Code enforcement	88,462	-	-	-
Public art	-	-	-	213,015
Streets, sidewalks, transportation	-	-	-	3,314,999
Community Center	-	-	-	142,167
LTGO debt	-	-	-	21,453
	<u>88,462</u>	<u>-</u>	<u>-</u>	<u>3,691,634</u>
Assigned				
LEOFF retiree health	1,098,089	-	-	-
	<u>1,098,089</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned				
	9,924,976	(5,639,112)	-	(581,051)
Total fund balance	<u>11,177,532</u>	<u>(5,639,112)</u>	<u>10,496,059</u>	<u>15,740,994</u>

The City's Financial Management Policy establishes fund balance goals for City funds as indicated below:
 General Fund operating reserve – 15% of recurring expenditures
 General Fund rainy day reserve - \$1 million
 The Convention Center, Street, Community Center, and Cemetery funds – 15% of recurring expenditures

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS:

As of December 31, 2019 the carrying amount of the City's cash balances was \$7,339,887 which consisted of bank deposits and petty cash.

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

B. INVESTMENTS:

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

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

As of December 31, 2019, the City had the following investments measured at fair value:

Investment	Total	Level 1	Level 2	Level 3
Poplar LID	4,001	-	-	4,001
Riverside Dr LID	199,820	-	-	199,820
Federal Agency Securities	17,862,023	17,862,023	-	-
Total	\$ 18,065,844	17,862,023	-	203,821

As of December 31, 2019 the City had the following investments measured at amortized cost:

Investment	Total	Level 1	Level 2	Level 3
State Pool	\$ 41,814,426	41,814,426	-	-
Total	\$ 41,814,426	41,814,426	-	-

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets

the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

The investments in the Special Assessment bonds are bonds issued by City managed Special Assessment's or Local Improvement Districts (LID). Property owners who benefited from the improvement are billed equal annual installments, with interest, for the term of the LID. The property owners can prepay the assessments at any time with no penalty. If an assessment is not paid for two consecutive years as of January 1 the City will begin foreclosure proceedings on the property. In the event of nonpayment of assessments the City of Wenatchee is obligated to make interest payments of the Special Assessment Bonds and would do so to the extent funds are available in the LID Guaranty Fund. Delinquent principal payments would be made from the receipt of proceeds from the foreclosure and sale of property upon which the delinquency occurred.

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

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

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

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

NOTE 4. PROPERTY TAXES

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

Property Tax Calendar

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

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

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

The City's regular levy for 2019 was \$1.06648 per \$1,000 on an assessed valuation of \$3,462,296,482 for a total levy of \$3,692,463.

In addition to the regular levy, the City has a bond levy that was approved by voters in September 2001 for the construction of a police station. The 2019 levy was \$0.10815 per \$1,000 on an assessed valuation of \$3,029,495,753 for a total levy of \$327,637.

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

Tax Collection Year	Regular Levy Rate	UTGO Bond Rate	Amount of Regular Taxes Levied	Amount of Taxes Levied for UTGO Bonds	Assessed Value Regular Levy Purposed	Assessed Value Bond Levy Purposes
2019	\$ 1.06648	\$ 0.10815	\$ 3,692,463	\$ 327,637	\$ 3,462,296,482	\$ 3,029,495,753
2018	1.11474	0.12036	3,343,174	327,827	2,999,055,290	2,723,618,763
2017	1.11315	0.12685	3,220,000	326,040	2,892,690,819	2,570,318,354
2016	1.15333	0.13710	2,779,431	326,040	2,409,916,482	2,378,002,208
2015	2.64845	0.14564	6,042,144	326,036	2,281,382,751	2,238,494,190
2014	2.77490	0.15500	5,880,872	326,040	2,142,462,856	2,103,304,915

NOTE 5. CAPITAL ASSETS

Government wide capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 22,225,678	\$ 4,261,995	\$ (394,244)	\$ 26,093,429
Construction in progress	1,462,980	5,864,272	(250,380)	7,076,872
Total capital assets not being depreciated	23,688,658	10,126,267	(644,624)	33,170,301
Capital assets being depreciated:				
Buildings	38,180,643	-	(307,236)	37,873,407
Improvements other than buildings	6,063,598	-	(94,733)	5,968,865
Machinery and equipment	9,624,603	819,973	(158,752)	10,285,824
Infrastructure	59,470,890	244,259	-	59,715,149
Total capital assets being depreciated	113,339,734	1,064,232	(560,721)	113,843,245
Less accumulated depreciation for:				
Buildings	11,739,960	900,034	(171,184)	12,468,810
Improvements other than buildings	1,800,086	409,889	(47,367)	2,162,608
Machinery and equipment	5,488,880	473,470	(151,478)	5,810,872
Infrastructure	7,002,588	596,251	-	7,598,839
Total accumulated depreciation	26,031,514	2,379,644	(370,029)	28,041,129
Total capital assets being depreciated, net	87,308,220	(1,315,412)	(190,692)	85,802,116
Governmental activities capital assets, net	\$ 110,996,878	\$ 8,810,855	\$ (835,316)	\$ 118,972,417

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

General government	342,550
Public Safety	150,028
Culture and recreation	816,455
Infrastructure	603,332
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	467,279
Total depreciation expense	<u>2,379,644</u>

	Beginning Balance	Reclassification Adjustments	Increases	Decreases	Ending Balance
Business-Type Activities					
Capital assets not being depreciated:					
Land	2,553,559	-	255,903	-	2,809,462
Construction in progress	6,960,371	-	1,132,854	(6,641,253)	1,451,972
Intangible Assets	2,704,831	-	-	-	2,704,831
Total capital assets not being depreciated	12,218,761	-	1,388,757	(6,641,253)	6,966,265
Capital assets being depreciated:					
Buildings	106,820,999	(69,207,868)	2,568,071	(3,856)	40,177,346
Improvements other than buildings	1,589,742	-	330,584	-	1,920,326
Machinery and equipment	2,898,223	-	-	(148,262)	2,749,961
Infrastructure	-	69,207,868	7,849,555	(324,635)	76,732,788
Total capital assets being depreciated	111,308,964	-	10,748,210	(476,753)	121,580,421
Less accumulated depreciation for:					
Buildings	45,358,020	(27,504,963)	1,008,903	(3,856)	18,858,104
Improvements other than buildings	954,353	-	362,411	-	1,316,764
Machinery and equipment	2,435,699	-	70,907	(162,558)	2,344,048
Infrastructure	-	27,504,963	1,424,187	(138,918)	28,790,232
Total accumulated depreciation	48,748,072	-	2,866,408	(305,332)	51,309,148
Total capital assets being depreciated, net	62,560,892	-	7,881,802	(171,421)	70,271,273
Business-type activities capital assets, net	74,779,653	-	9,270,559	(6,812,674)	77,237,538

Depreciation was charged against business-type activities as follows:

Water	650,603
Sewer	1,261,135
Storm Darin	545,208
Regional Water	399,518
Cemetery	9,944
Total depreciation expense business activities	2,866,408

Business-type activity infrastructure assets were classified as buildings and structures in prior financial statements. The reclassification adjustments column displays the adjustments to the asset classifications to reconcile the prior financial statements to the current.

NOTE 6. PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2019:

Aggregate Pension Amount - All Plans	
Pension liabilities	\$ 3,506,980
Pension assets	\$ 4,467,961
Deferred outflows of resources	\$ 2,083,411
Deferred inflows of resources	\$ 3,152,775
Pension expense/expenditures	\$ 650,976

A. PLAN DESCRIPTIONS

STATE SPONSORED PLANS

Substantially all City of Wenatchee full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380. Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System (PERS)

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

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

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1					
Actual Contribution Rates:	Employer	Employee	Actual Contribution Rates:	Employer	Employee
January - June 2019			July - December 2019		
PERS Plan 1	7.52%	6.00%	PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAL	5.13%		PERS Plan 1 UAL	4.76%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Total		12.83%	6.00%	Total	
				12.86%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the

choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 201 were as follows:

PERS Plan 2/3					
Actual Contribution Rates:	Employer 2/3	Employee 2/3	Actual Contribution Rates:	Employer 2/3	Employee 2/3
January - June 2019			July - December 2019		
PERS Plan 2/3	7.52%	7.41%	PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	5.13%		PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Employee PERS Plan 3		varies	Employee PERS Plan 3		varies
Total	12.83%	7.41%	Total	12.86%	7.90%

The city's actual PERS plan contributions were \$510,023 to PERS Plan 1 and \$787,797 to PERS Plan 2/3 for the year ended December 31, 2019.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2					
Actual Contribution Rates:	Employer	Employee	Actual Contribution Rates:	Employer	Employee
January - June 2019			July - December 2019		
State and local governments	5.25%	8.75%	State and local governments	5.15%	8.59%
Administrative Fee	0.18%		Administrative Fee	0.18%	
Total	5.43%	8.75%	Total	5.33%	8.59%

The city's actual contributions to the plan were \$216,513 for the year ended December 31, 2019.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$139,984.

EMPLOYER SPONSORED PLAN

Firemen's Pension Fund

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

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

As of December 31, 2019, there were a total of 16 retirees or beneficiaries eligible for retirement benefits. Of these 16 the State of Washington pays 4, the City pays 3, and the City and State share the cost of the remaining 9.

Benefit Provisions

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

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

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

The Firemen's Pension 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.

Funding for the Firemen's Pension Fund has historically come from property taxes diverted from the General Fund and distributions from the State from fire insurance premium collections. Milliman, Inc. has completed actuarial studies of the fund biennial beginning in January 1, 2008; the most recent of which was performed as of January 1, 2018 with a measurement date of December 31, 2017. An update was performed with a measurement date of December 31, 2019. The General Fund is responsible for the costs of administering the plan. Obligations for medical expenses are funded primarily through group insurance - the premiums for which are not paid from the Firemen's Pension Fund. There have been no required employee contributions to the plans since March 1, 1970. As of December 31, 2019, the Firemen's Pension Fund reported net position reserved for payment of future benefits of \$1,510,310.

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

B. ACTUARIAL ASSUMPTIONS

STATE SPONSORED PLANS

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefits with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

EMPLOYER SPONSORED PLAN

The Firemen's Pension's actuarial assumptions used in the January 1, 2018 pension actuarial valuation includes techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation date: January 1, 2018. Measurement date: December 31, 2019. Actuarial cost method: entry age normal. Asset valuation method: fair market value. Inflation rate: 2.25%. Projected salary increases: 3.25%. Mortality rates were based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members). The Firemen's Pension Fund benefit adjustments are based on the change in salary for the rank the members held at retirement based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

C. DISCOUNT RATE

STATE SPONSORED PLANS

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

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

EMPLOYER SPONSORED PLAN

The discount rate of 2.75 percent used to measure the Firemen's Pension Fund's Total Pension Liability, is a blended rate made up of a long-term expected rate of return on the plan investments and a municipal bond rate. The long-term expected rate of return may be used to discount liabilities to the extent that the Plan's Fiduciary Net Position is

projected to cover benefit payments and administrative expenses. The Bond Buyer General Obligation 20-year municipal bond index for bonds that mature in 20 years is 2.74 percent as of December 26, 2019. Rounding to the nearest ¼ percent results in a discount rate of 2.75 percent. Using 2.75 percent for both the long-term expected rate of return and the bond index will mean that 2.75% could be used as the single discount rate.

D. LONG-TERM EXPECTED RATE OF RETURN

STATE SPONSORED PLANS

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

EMPLOYER SPONSORED PLAN

The Firemen’s Pension Fund’s best-estimate range for the long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman’s investment consulting practices as of December 31, 2019.

Asset Class	index	Long-Term Expected Real Rate of Return
Cash	BAML 90 Day T-Bills	0.09%
Short-Term Bonds	Barclays 1-3 Year Gov/Cred	0.77%
Long-Term Bonds	Barclays Long Gov/Cred	2.09%
Assumed Inflation - Mean		2.25%
Long-Term Expected Rate of Return		2.75%

E. ESTIMATED RATES OF RETURN BY ASSET CLASS

STATE SPONSORED PLANS

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

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

F. PENSION PLAN INVESTMENTS

EMPLOYER SPONSORED PLAN

As of December 31, 2019, the Firemen’s Pension Fund had an investment portfolio of \$1,510,310 that was comprised of \$839,072 in bank deposits and deposits held in the Washington State Treasurer Local Government Investment Pool (the State Investment Pool), \$117,516 held in investments, and \$553,722 in US Agencies securities. The State Investment Pool has an average portfolio maturity of less than 91 days. Therefore, this portion of the Firemen’s

Pension fund is valued at cost. The investment policy for the pension fund is the same as the City's policy as discussed in Note 4.

The Pension Fund's holds the following investments:

	Amount	% of Net Position
City of Wenatchee LID Bonds	117,516	7.78%
US Agencies Securities	553,722	36.66%

For the year ended December 31, 2019, the annual money-weighted rate of return on the Firemen's Pension plan investments, net of pension plan investment expense, was 2.40 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the portion of time they are available to earn a return during the period.

G. SENSITIVITY OF NPL

STATE SPONSORED PLANS

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 3,312,995	\$ 2,645,489	\$ 2,066,340
PERS 2/3	6,607,295	861,491	(3,853,321)
LEOFF 1	(1,208,687)	(1,477,517)	(1,709,625)
LEOFF 2	(499,436)	(2,685,974)	(4,470,689)

EMPLOYER SPONSORED PLAN

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

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total pension liability	\$ 1,301,387	\$ 1,205,840	\$ 1,121,876
Fiduciary net position	1,495,703	1,495,703	1,495,703
Net pension liability	(194,316)	(289,863)	(373,827)

H. PENSION PLAN FIDUCIARY NET POSITION

STATE SPONSORED PLANS

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

EMPLOYER SPONSORED PLAN

The Firemen’s Pension Fund’s total pension liability was calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date. Any significant changes during the period have been reflected as prescribed by GASB 67. The net pension liability of the City at December 31, 2019, was:

Total pension liability	\$ 1,205,840
Fiduciary net position	1,510,310
Net pension liability	(304,470)
Fiduciary net position as a % of total pension liability	125.25%
Covered payroll	0
Net pension liability as a % of covered payroll	N/A

Change in Net Pension Liability	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances as of December 31, 2018	\$ 1,161,349	\$ 1,579,446	\$ (418,097)
Changes for the year:			0
Prior period adjustment		2,198	(2,198)
Service cost	0		0
Interest on total pension liability	44,409		44,409
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	0		0
Effect of assumptions changes or inputs	103,357		103,357
Benefit payments	(103,275)	(103,275)	0
Medcial payments from fund		(40,000)	40,000
Employer contributions		0	0
Contributions from state fire insurance premium tax		24,652	(24,652)
Net investment income		51,089	(51,089)
Adminstrative expenses		(3,800)	3,800
			0
Balances as of December 31, 2019	1,205,840	1,510,310	(304,470)

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

Liability (Asset)

At June 30, 2019, the city reported a total pension asset of \$4,163,491 and a total pension liability of \$3,506,980 for its proportionate share of the net pension liabilities for the State Sponsored plans as follows:

	Liability (or Asset)
PERS 1	\$ 2,645,489
PERS 2/3	861,491
LEOFF 1	(1,477,517)
LEOFF 2	(2,685,974)

At December 31, 2019 the city reported a total pension asset of \$304,470 for the Employer Sponsored Firemen’s Pension Plan.

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (1,477,517)	\$ (2,685,974)
State's proportionate share of the net pension asset associated with the employer	(9,993,886)	(1,758,953)
TOTAL	\$ (11,471,402)	\$ (4,444,927)

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

	Proportionate Share 6/30/2018	Proportionate Share 6/30/2019	Change in Proportion
PERS 1	0.066077 %	0.068797 %	0.002720 %
PERS 2/3	0.084205	0.088691	0.004486
LEOFF 1	0.074351	0.07475	0.000399
LEOFF 2	0.112178	0.11594	0.003762

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the city recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 247,326
PERS 2/3	215,700
LEOFF 1	(84,086)
LEOFF 2	146,479
Firemen's Pension Fund	125,557

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pers 1	Deferred Outflows	Deferred Inflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (176,741)
Contributions subsequent to the measurement date	\$ 255,748	\$ 0
Total	\$ 255,748	\$ (176,741)

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 246,819	\$ (185,216)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (1,253,980)
Change of assumptions	\$ 22,060	\$ (361,453)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 407,700	\$ (12,622)
Contributions subsequent to the measurement date	\$ 485,102	\$ 0
Total	\$ 1,161,681	\$ (1,813,271)

LEOFF 1	Deferred Outflows	Deferred Inflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (153,174)
Total	\$ 0	\$ (153,174)

LEOFF 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 193,280	\$ (48,301)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (550,709)
Change of assumptions	\$ 4,425	\$ (302,258)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 321,363	\$ (108,321)
Contributions subsequent to the measurement date	\$ 103,693	\$ 0
Total	\$ 622,761	\$ (1,009,589)

Firemen's Pension Fund	Deferred Outflows of	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ 43,221	\$ 0
Total	\$ 43,221	\$ 0

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2	Firemen's Pension Fund
2020	(39,017)	(322,231)	(35,578)	(46,727)	15,140
2021	(92,419)	(568,594)	(78,417)	(174,677)	15,138
2022	(32,980)	(210,430)	(28,455)	(120,747)	8,530
2023	(12,325)	(77,763)	(10,723)	(62,344)	4,413
2024	0	2,996	0	(18,217)	0
Thereafter	0	39,330	0	(67,809)	0

NOTE 7. RISK MANAGEMENT

Medical:

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

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

As of December 31, 2019, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

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

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

Property & Casualty Coverage:

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

The City of Wenatchee is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2019, 100 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with

the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Great American for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2019, AWC RMSA carried a retention of \$200,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool’s Broker of Record, Aon.

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

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

Claims Payable and Settlements:

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

As of December 31, 2019, the City had accrued the following amounts for outstanding claims:

Incurred/ Reported	Incurred but not Reported	Total Claims Payable
29,418	100,000	129,418

The following schedule presents changes in claims liabilities:

	Property & Casualty	
	2019	2018
Claims liabilities, January 1	107,211	106,773
Claims and operating expenses:		
Incurred during current year	92,665	121,995
Paid	(70,458)	(121,557)
Claims liabilities, December 31	129,418	107,211

NOTE 8. SHORT-TERM DEBT

The City had no short-term debt as of December 31, 2019.

NOTE 9. LONG-TERM DEBT

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

A. General Obligations Bonds and Loans

- **Limited Tax General Obligation (LTGO) Bonds** – Consist of three outstanding issues of non-voted general obligation bonds. Each of these issues represents a direct obligation of the City and the full faith and credit of the City has been irrevocably pledged to satisfy related debt service requirements. The LTGO issues currently outstanding are:
 - Taxable LTGO private placement issued in 2015 to refinance \$430,000 convention center portion of the 2007 bond issue, refinance the 2007 private placement, and issued \$2.1 million of new debt to provide convention center upgrades. The refunding’s were undertaken to transition the Center’s management contract from a services contract to a commission based contract. The 2007 private placement has been paid in full and the liability has been removed from the City’s governmental column of the financial statements.

- Bonds issued in 2016 refinanced \$1.97 million of the 2007 issue and issued \$7.085 million in new Local Revitalization Financing (LRF) debt to refinance LRF commitments and loans of \$1.445 million and issue new debt of \$6.2 million to finance improvements (parking, pedestrian accessibility, and Pybus land purchase) in the LRF area. The bonds were issued at a premium of \$770,103 (\$146,392 refinancing and \$623,711 LRF). The refinancing debt was \$1.92, million a saving of \$50,000 and all proceeds purchased US Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The entire \$1.97 million was paid in 2017.
- Bonds issued in 2019 to finance the purchase and remodel of the new City Hall building, and finance street improvements in the Wenatchee foothills. The bonds were issued at a premium of \$2,000,466. Of the \$14,000,000 in bond proceeds, \$12,000,000 is dedicated to the new City Hall remodel, and \$2,000,000 is dedicated to the foothills street improvements.
- Unlimited Tax General Obligation (UTGO) Bonds – Consist of one issue of voter approved general obligation bonds that were issued in 2001 for the construction of a new police station. The bonds are a direct obligation of the City and the full faith and credit of the government has been irrevocably pledged to satisfy related debt service requirements. For as long as the bonds are outstanding, the City irrevocably pledges to levy taxes annually without limitation as to rate or amount on all taxable property within the City in an amount sufficient, together with other money legally available and to be used therefore, to pay the principal of and interest on the Bonds when due. These bonds were refinanced May 2013, for a net present value savings of \$313,800. The original 2001 bonds have been paid in full and the liability has been removed from the City's governmental column of the financial statements.
- Community Economic Revitalization Board Loan – In 2018, the City was awarded a loan for the purchase of property to extend McKittrick Street. These bonds are expected to be repaid by the General fund or property sales after the redevelopment of the North Wenatchee area.
- Public Works Trust Fund Loan – In 2018, the City was awarded a loan for the realignment of Miller Street and the intersection with the future McKittrick Street, including the relocation of PUD power lines. These bonds are expected to be repaid by the General fund or property sales after the redevelopment of the North Wenatchee area.

General obligation bonds and loans currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Average Installment
Convention Center Improvments and Refunding Bonds	2015 - 2029	4.5% - 5.5%	4,277,000	374,000
Public Services Center Construction / Local Revitalization Area Improvements	2016 - 2037	2% - 4%	9,005,000	609,895
New City Hall / Streets	2017 - 2027	4% - 5%	12,180,000	580,000
Police Station Construction	2013 - 2021	1.4% - 3.6%	2,649,850	139,500
CERB Loan, Development Projects	2020 - 2039	2.50%	859,409	55,129
PWTF Loan, Development Projects	2019 - 2038	1.66%	68,350	3,597

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

Year Ending December 31	General Obligation Bonds		CERB Loan		PWTF Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	1,217,770	872,188	33,643	21,485	3,597	1,094
2021	1,226,706	828,682	34,484	20,644	3,597	1,075
2022	1,015,000	786,690	35,347	19,782	3,597	1,015
2023	1,016,000	750,531	36,230	18,898	3,597	955
2024-2028	5,399,000	3,129,816	195,199	80,444	17,987	3,882
2029-2033	5,360,000	2,052,800	220,850	54,793	17,987	2,389
2034-2038	6,015,000	892,800	249,871	25,772	17,987	896
2039	950,000	38,000	53,784	1,345	-	-
	22,199,476	9,351,506	859,409	243,163	68,350	11,306

As of December 31, 2019, the city has \$21,215 available in debt service funds to service the general bonded debt.

B. Revenue Bonds and Loans

- 2011 Water/Sewer/Storm Revenue Bonds - Issued in 2011 to finance \$18,705,000 of Water, Sewer, and Storm Drain capital improvements and refund revenue bonds issued in 1998. The bonds were issued at a premium of \$720,467. The bonds are being repaid by operating revenues of the individual proprietary funds that are benefitting from the related capital projects.
- 2018 Sewer Revenue and Water/Sewer Refunding Bonds - Issued in 2018 to refinance \$3,130,000 of the 2007 Water/Sewer Revenue Bonds and issued \$12,525,000 in new Sewer debt to finance facility improvements and sewer expansion. The bonds were issued at a premium of \$1,899,284 (\$271,929 refinancing and \$1,627,355 new bonds). The refinancing debt was \$2,910,000 a net present value saving of \$230,532 and all proceeds purchased US Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The bonds are being repaid by operating revenue of the individual proprietary funds that are benefitting from the related capital projects.
- Washington Department of Ecology – State Revolving Fund (SRF) Loan – The City was the recipient of a low interest loan (1.5% over 20 years) from the State Department of Ecology in 2007 and the proceeds were used to upgrade the wastewater treatment plant that is part of the City’s Water/Sewer enterprise fund. The loan will be repaid by future operating revenues of the fund.
- Washington Department of Commerce – 2013 Public Works Trust Fund Loan (PWTF) – The City entered into two loan agreements with the Public Works Board for a low interest loan (.5% over 20 years) to finance two sewer improvement projects. The City completed construction of both projects in 2013 and the repayment period ends June 1, 2031.
- Washington Department of Commerce – 2018 Public Works Trust Fund Loan (PWTF) – The City entered into a loan agreement with the Public Works Board for a low interest loan (1.66% over 20 years) to finance the Miller Street sewer improvement project. The agreement allows the City to draw up to \$4,826,089 in loans. As of 12/31/2019 the City had only drawn a total of \$555,085.

The revenue debt currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Average Installment
Water / Sewer Improvements & Refunding Bonds	2011 - 2030	3% - 5%	18,705,000	1,320,000
Sewer Improvements & Refunding Bonds	2018 - 2038	3% - 5%	15,435,000	1,163,830
State Revolving Loan, Sewer Improvements	2007 - 2026	1.50%	7,391,665	440,000
Public Works Trust Fund Loan, Sewer Improvements	2012 - 2031	0.50%	1,870,000	102,000
Public Works Trust Fund Loan, Sewer Improvements	2012 - 2031	0.50%	765,000	44,000
Public Works Trust Fund Loan, Stormwater Improvements	2019 - 2038	1.66%	486,736	25,618

Revenue debt service requirements to maturity are as follows:

Year Ending December 31	Revenue Bonds		State Revolving Fund		PWTF Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	1,255,000	1,161,944	397,553	42,330	166,369	12,017
2021	1,550,000	1,107,369	403,558	36,325	166,369	11,525
2022	1,730,000	1,040,769	409,653	30,230	166,369	10,748
2023	1,790,000	974,219	415,840	24,043	166,369	9,971
2024-2028	8,910,000	3,692,213	1,285,585	34,064	831,843	38,198
2029-2033	5,855,000	1,737,800			550,341	19,121
2034-2038	4,530,000	689,200			128,088	6,379
	25,620,000	10,403,513	2,912,189	166,992	2,175,746	107,959

As of December 31, 2019, restricted assets in the proprietary funds contain \$3,279,116 in sinking funds and reserves as required by bond indentures.

- C. Special Assessment or Local Improvement District (LID) Bonds have been issued to finance construction projects for sewers, sidewalks, etc. requested by citizens and benefit specific locations within our community. These bonds are repaid with the proceeds of annual billings assessed against property owners who benefited from the improvements. In the event of nonpayment the City of Wenatchee is obligated to make the payment of principal and interest of the Special Assessment Bonds and would do so to the extent funds are available in the LID Guaranty Fund and through the receipt of proceeds from the foreclosure and sale of property upon which the delinquency occurred. At December 31, 2019 the LID Guaranty Fund had a fund balance of \$136,148.

Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2020	22,423	11,285
2021	18,423	10,086
2022	18,423	9,061
2023	18,423	8,037
2024-2028	92,115	24,821
2029-2033	34,014	2,758
	203,821	66,048

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

- D. Employee leave benefits (otherwise known as compensated absences) account for the underlying liability related to the accumulation of accrued vacation and sick leave.
- E. Loan Guarantee In 2002, Chelan County issued \$2,560,000 in LTGO Bonds, to be used for the design, construction and equipping of a 911 call center known as Rivercom. Rivercom is a multi-jurisdictional public safety answering point that was formed through an Interlocal Cooperative Agreement including participation of four partners: Chelan County, Douglas County, the City of Wenatchee, and the City of East Wenatchee. Prior to the issuance of the bonds, each of the partners signed a Financing Agreement that commits each party be a guarantor of up to twenty-five percent (25%) of the principal amount of the bonds. The City's initial share of the guaranty was \$640,000, which is reduced each year as Chelan County makes annual debt service payments. There has never been a need for the City to contribute funds toward this obligation, and City's obligation as of December 31, 2019 is \$127,500. These bonds mature in 2022.
- F. Reservation of Debt Capacity In 2012 the City agreed to reserve four million in debt capacity as part of the debt issuance for the Greater Wenatchee Regional Events Center Public Facilities District (District). See Note 12(A). for further discussion of the City's relationship with the District. The City may have to loan the District funds up to \$200,000 per year until 2031. The \$4,000,000 debt capacity reservation is the value of the \$200,000 for twenty years. As of the date of this financial report the City has not needed to loan funds to the District under this agreement. The outstanding obligation under this agreement is \$2.4 million.
- G. Bond Ratings. As a part of the bond issuance process, for each bond issued since 1997 the City has met with representatives of Moody's or Standard and Poor's to make rating presentations and ultimately receive a rating. These ratings are periodically reviewed and updated by each rating agency. As of December 31, 2019 Standard & Poor's rates the City as AA- for both revenue bonds and UTGO/LTGO bonds.

Changes in Long-Term Liabilities

During the year ended December 31, 2019, the following changes in long-term liabilities occurred:

	Outstanding 1/1/2019	Additions	Reductions	Outstanding 12/31/2019	Due Within One Year
Governmental Activities					
Bonds and Loans Payable					
U.T.G.O. bonds	911,691	-	293,215	618,476	303,770
L.T.G.O. bonds	14,586,815	12,180,000	5,185,815	21,581,000	914,000
WA State CERB Loan	859,409	-	-	859,409	33,644
WA State PWTF Loan	-	68,350	-	68,350	3,597
Special assessment debt	238,678	-	34,857	203,821	-
Unamortized premium	684,086	2,000,466	138,269	2,546,283	-
Total Bonds and Loans Payable	17,280,679	14,248,816	5,652,156	25,877,339	1,255,011
Net pension liability	3,094,676	-	772,364	2,322,312	-
Total OPEB liability	10,046,930	2,226,530	387,865	11,885,595	-
Compensated absences	1,423,046	131,871	-	1,554,917	-
Government activity long-term debt	31,845,331	16,607,217	6,812,385	41,640,163	1,255,011
Business-Type Activities					
Bonds and Loans Payable					
Revenue bonds	26,715,000	-	1,095,000	25,620,000	1,255,000
SRF Loan	3,303,824	-	391,638	2,912,186	397,553
PWTF Loans	1,829,766	486,736	140,752	2,175,751	166,369
Unamortized premium	2,287,166	-	145,690	2,141,476	-
Total bonds and loans payable	34,135,756	486,736	1,773,080	32,849,413	1,818,922
Asset retirement liability	5,500,000	-	-	5,500,000	-
Net pension liability	1,294,070	-	109,403	1,184,667	-
Compensated absences	314,510	34,039	-	348,549	-
Business-type activity long-term debt	41,244,336	520,775	1,882,483	39,882,629	1,818,922

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included in the above totals for governmental activities. At year end \$207,875 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.

NOTE 10. LEASES

Operating Leases

The City leases equipment under non-cancelable operating leases. The total cost for such leases was \$45,860 for the year ended December 31, 2019. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Equipment Leases
2020	41,054
2021	30,147
2022	26,094
2023	17,874
2024-2025	25,489

NOTE 11. CONTINGENCIES

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion

of management, the City's insurance policies and self-insurance reserves, except as provided below, are adequate to pay all known or pending claims.

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

In connection with the issuance of the 2012 Bonds, the District and the City entered into an Amended and Restated Third Amendment to Interlocal Agreement for the Greater Wenatchee Regional Events Center Public Facilities District, which, provided that if the 0.1% District Tax and the City Tax are not enough to cover debt service on the 2012 Bonds, and the District has to use Sales Tax Credit revenue to pay debt service, then the City has committed to loan the District up to \$200,000 per year, until 2031. These loans are zero interest loans. The City agreed to reserve debt capacity for this potential obligation for 20 years after debt issuance at \$200,000 per year. The obligation outstanding at December 31, 2019 is \$2.4 million. Sales tax revenues have been sufficient to pay debt service; therefore, the District has not drawn on the loan. The City does not have any obligation to holders of the 2012 Bonds or to pay costs of the maintenance and operation of the District's regional events center.

NOTE 12. INTERFUND BALANCES AND TRANSFERS

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

Interfund Balances

Due to/from other funds represent receivables and payables between funds for work performed or services rendered for the benefit of another fund within the City. This category also includes City Council approved temporary lending of cash from the General Fund to other funds in order to correct negative cash balances that are typically a result of the funds incurring grant related expenditures that are subsequently recovered through reimbursement requests. Due to/from balances at December 31, 2019, are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant	30,176
General Fund	UTGO Bonds	8,257
General Fund	Parks Capital Projects	472,319
Total		510,752

Interfund loans receivable and payable represent loans between funds that have been approved by a City Council resolution and are supported with a specific repayment plan. At December 31, 2019 the loans outstanding are as follows:

Interfund Receivable/Payable			
Receivable Fund	Payable Fund	Total	To be Repaid in 2020
General Fund	Economic Development Capital Projects	3,700,000	2,200,000
Sewer Fund	Economic Development Capital Projects	3,700,000	-
Total		7,400,000	2,200,000

Interfund Transfers

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

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

During 2019 the following transfers in/out occurred:

Transfers From:	Transfers To:						Total
	General	Economic Development	New City Hall Remodel	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General	-	161,736	1,453,183	5,727,000	311,000	344,182	7,997,101
Nonmajor governmental	116,084	1,700,422	-	2,378,681	-	-	4,195,187
Water	110,150	-	387,350	-	-	-	497,500
Sewer	110,150	-	333,590	134,525	-	-	578,264
Storm Drain	30,200	-	279,060	-	-	-	309,260
Internal Service	-	-	-	-	-	77,231	77,231
Pension Trust	40,000	-	-	-	-	-	40,000
Total transfers	406,583	1,862,158	2,453,183	8,240,206	311,000	421,413	13,694,544

Significant transfers that occurred during 2019 include:

- Transfers from property tax revenues in the General Fund to the Street Maintenance Fund of \$3,000,000 to support street maintenance.
- A transfer from the General Fund to the Streets Fund of \$760,000 to support increased scope for pavement preservation.
- Transfers from the General fund to Parks capital projects fund in the amount of \$1,520,000 to assist with several park projects.
- Transfers of \$2,500,000 from the General fund and utility funds to support the new City Hall remodel project.
- Transfers from various funds to the LTGO Debt Service Fund of \$2,087,890 to make the required annual debt service payments.
- Transfer of \$1,211,000 from the Arterial Street fund to the Economic Development fund to support the Confluence NEPA process.

NOTE 13. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The following table represents the aggregate OPEB for all plans subject to the requirements of GASB Statement 75 for the year 2019:

Aggregate OPEB Amounts	
OPEB liability	\$ 11,885,595
OPEB assets	\$ 0
Deferred outflows of resources	\$ 0
Deferred inflows of resources	\$ 0
OPEB expense	\$ 2,226,530

Plan Description

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

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, 2019, the number of individuals eligible for this benefit is as follows:

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

Funding Policy

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

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

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

Actuarial Assumptions

The actuarial assumptions used in the January 1, 2018 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, 2018. Actuarial cost method: entry age normal. Amortization method: 30 year, closed as of January 1, 2008. Remaining amortization period: 19 years. Discount rate: 2.75%. Long-term care trend rate: 4.5%. Medical trend varies between 3.7% and 4.8% from 2018 through 2036, grading down to an ultimate of 3.9%. Mortality calculations used the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members).

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate at December 31, 2019:

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB Liability	\$ 13,779,663	\$ 11,885,595	\$ 10,347,338

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 10,358,244	\$ 11,885,595	\$ 13,714,006

Change in the Total OPEB Liability

The City had a full actuarial valuation performed for the plans as of January 1, 2018, with a measurement date of December 31, 2017 to determine the funding status of the plan as of that date. An update was recently performed with a valuation date of January 1, 2018 and a measurement date of December 31, 2019 to bring the plan valuation into compliance with GASB Standard 75. The resulting OPEB calculation is depicted in the table below:

Change in Total OPEB Liability	
Total OPEB Liability at 12/31/2018	\$ 10,046,930
Changes for the year:	
Service Cost	-
Interest on total OPEB liability	394,196
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	1,832,334
Expected benefit payments	(387,865)
Total OPEB Liability at 12/31/2019	11,885,595

During 2019 the City purchased medical and prescription insurance coverage for those covered by the OPEB plan at a cost of \$216,408. In addition to this, the City reimbursed Medicare premiums to the qualifying participants in the amount of \$41,394. After all insurance carriers had been billed, the City was responsible for an additional \$96,637 in non-covered out of pocket costs sustained by plan members.

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

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, service retirement disability, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information presents the results of OPEB valuations as of January 1, 2019 and looking forward, the schedule of funding progress will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 14. ASSET RETIREMENT OBLIGATIONS

The City has several agreements providing water, sewer, and storm drain utility pipe easements along and under various sections of railroad tracks. These agreements obligate the city to remove or fill the utility pipes when the City removes the asset from the easement. City utility staff estimated the cost of removing each pipe based on the size of the pipe and difficulty of removal. Utility staff also estimated the useful lives of these easements at 100 years from the date of agreement or placement of the asset. The remaining useful lives of the assets vary between 42 and 93 years. The City expects to fund these obligations on a pay-as-you-go basis and therefore has no restricted assets set aside for the payment of the obligations. Similar to other utility capital projects, the costs for these obligations will be incorporated into the comprehensive plans of each utility and paid out of utility reserves acquired through user fees.

NOTE 15. JOINT VENTURES

The City of Wenatchee participates in Rivercom, a joint venture, which was created with an interlocal agreement to build and operate a regional 911 communications center. The other participants in this venture include: Chelan County, Douglas County, and the City of East Wenatchee. Rivercom charges the participants a fee based on the volume of calls generated by each participant. The fees are designed to cover Rivercom's costs. In addition to the fees, the participants provide their 911 tax revenues to the organization. Based on the interlocal agreement, the City of Wenatchee has a 25% equity interest in Rivercom. During 2019, Rivercom received total revenues of \$7,980,203 and incurred total expenses of \$5,896,651 resulting in an increase in fund balance of \$2,083,552, and ending fund balance of \$12,821,297. Rivercom produces financial statements using a cash basis of accounting. One-quarter of revenues, expenses, and fund balance are included in the full accrual government-wide financial statements. A copy of Rivercom's financial statements can be obtained from Rivercom at: PO Box 3344, Wenatchee, WA 98807 or (509) 662-4650.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

A. ASSET RETIREMENT OBLIGATIONS

In 2019, the City implemented GASB Statement 83, Certain Asset Retirement Obligations, which requires governments to report obligations associated with legally enforceable liabilities associated with the retirement of a tangible capital assets. To implement this standard, the City had to include a prior period adjustment to incorporate the liability that existed in prior years. This change decreases the net assets of the Water Fund by \$201,250, Sewer Fund by \$537,417, and the Storm Drain Fund by \$420,000 for a total adjustment of \$1,158,667 to the Net Position in the Business-Type Activities column of the Statement of Activities.

B. ENTERPRISE FUND ASSET CORRECTIONS

During 2019, corrections to enterprise fund assets were addressed after reviewing useful lives and accumulated depreciation balances. The useful life of a Storm Drain asset was corrected from 50 years to 10 years, and three Regional Water assets were fully depreciated when they should not have been. These corrections decreased the net assets of the Storm Drain Fund by \$207,766 and increased the net assets of the Regional Water fund by \$101,272, for a total adjustment that decreases net position by \$106,494 in the Business-Type Activities column of the Statement of Activities.

NOTE 17 – SUBSEQUENT EVENTS

A. City of Wenatchee

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. The Mayor of the City of Wenatchee also issued an emergency declaration in March. Due to this state of emergency, only essential City staff were allowed to work on-site and much of the economy was shut down. While the City expects that the health crisis will have a negative impact on tax and utility revenues, the City also expects that general expenses will be lower and federal grant funding will help fill some budgetary deficiencies. At the time of this report, the full financial impact of the health pandemic is unknown.

B. Public Facilities District Component Unit

In March of 2020, the Public Facilities District (District) and the region were impacted by the COVID-19 pandemic, resulting in the cancellation of events at Town Toyota Center and a significant drop in retail sales in the region. The ultimate impact is unknown at this time and staffing at the District has been modified to reflect the reduced activity. Sales tax receipts, combined with the structure of the 2012 Bonds, are anticipated to be sufficient to make all bond payments as they come due. The District maintains funds for operational purposes that are anticipated to be sufficient to maintain current operations through the pandemic.

The length of time these measures will be in place, and the full extent of the financial impact on the District is unknown at this time, but may have a material impact to the District.

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2019
Last 10 fiscal Years*
(amounts in thousands)

	2019	2018
Total OPEB Liability		
Service Cost	\$ 0	\$ 0
Interest on total OPEB liability	394	370
Change of benefit terms	0	0
Effect of economic/demographic gains or losses	0	0
Effect of assumptions changes or inputs	1,832	(723)
Expected benefit payments	<u>(388)</u>	<u>(333)</u>
net change in total OPEB liability	1,839	(687)
Total OPEB Liability, beginning	<u>10,047</u>	<u>10,734</u>
Total OPEB Liability, ending	<u>11,886</u>	<u>10,047</u>
Covered employee payroll	\$ 0	\$ 0
Total OPEB liability as a % of covered employee payroll	N/A	N/A

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

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREMEN'S PENSION FUND
Fiscal Year Ending December 31, 2019
Last 10 Fiscal Years
(amounts in thousands)

	Fiscal Year Ending December 31					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Interest on total pension liability	44	42	44	-	47	49
Effect of economic/demographic gains or losses	-	-	12	-	(36)	-
Effect of assumptions changes or inputs	103	(43)	-	-	137	35
Benefit payments	(103)	(101)	(109)	(109)	(119)	(119)
Net change in total pension liability	44	(101)	(52)	(109)	29	(35)
Total pension liability, beginning	1,161	1,263	1,315	1,424	1,395	1,430
Total pension liability, ending (a)	1,206	1,161	1,263	1,315	1,424	1,395
Fiduciary Net Position						
Employer Contributions	-	-	-	-	-	-
Contributions from state fire insurance premium tax	25	24	24	23	26	29
Investment income net of investment expenses	51	36	27	46	46	45
	2	-	-	-	-	-
Benefit payments	(103)	(101)	(109)	(109)	(119)	(119)
Medical payments from fund	(40)	(40)	(40)	(70)	(70)	-
Administrative expenses	(4)	(12)	-	(12)	(3)	15
Net change in plan fiduciary net position	(69)	(92)	(100)	(122)	(120)	(30)
Fiduciary net position, beginning	1,579	1,672	1,772	1,889	2,003	2,033
Fiduciary net position, ending (b)	1,510	1,579	1,672	1,771	1,889	2,003
Net pension liability, ending = (a) - (b)	<u>(304)</u>	<u>(418)</u>	<u>(409)</u>	<u>(456)</u>	<u>(465)</u>	<u>(608)</u>
Fiduciary net position as a % of total pension liability	125.21%	136.00%	132.38%	134.71%	132.70%	143.63%
Covered payroll	-	-	-	-	-	-
Net pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREMEN'S PENSION FUND
For the Year Ended December 31, 2019
Last 10 Fiscal Years

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2010	(130,000)	(276,040)	146,040	0	NA
2011	(130,000)	(293,796)	163,796	0	NA
2012	(53,000)	11,599	(64,599)	0	NA
2013	(53,000)	26,147	(79,147)	0	NA
2014	(89,000)	28,955	(117,955)	0	NA
2015	(89,000)	(43,757)	(45,243)	0	NA
2016	NA	(35,616)	NA	0	NA
2017	NA	(16,056)	NA	0	NA
2018	NA	(15,529)	NA	0	NA
2019	NA	(15,348)	NA	0	NA

* Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150. It includes revenues from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer contributions.

* No Actuarially determined contribution is required due to assets being greater than the Total Pension Liability

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT PLANS
FIREMEN'S PENSION PLAN
Fiscal Year Ending December 31, 2019
Last 10 Fiscal Years

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2014	2.21%
2015	2.40%
2016	N/A
2017	1.57%
2018	2.23%
2019	2.40%

The City is not presenting the full ten year history because the data is not available.

Firemen's Pension Fund
Actuarial Assumptions

Valuation date: January 1, 2018. Measurement date: December 31, 2019. Actuarial cost method: entry age normal. Asset valuation method: fair market value. Inflation rate: 2.25%. Projected salary increases: 3.25%. Mortality rates were based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members). The Firemen's Pension Fund benefit adjustments are based on the change in salary for the rank the members held at retirement based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE SPONSORED PENSION PLANS
As of June 30, 2019

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

The City is not presenting the full ten year history because the data is not available.

CITY OF WENATCHEE, WA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
STATE SPONSORED PENSION PLANS
As of December 31, 2019

	2019	2018	2017	2016	2015
PERS 1					
Statutorily or contractually required contributions	510,023	465,707	421,781	368,462	12,485
Contributions in relation to the statutorily or contractually required contributions	(510,023)	(465,707)	(421,781)	(368,462)	(12,485)
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	10,248,848	9,184,239	8,600,020	7,594,451	6,796,546
Contributions as a percentage of covered employee payroll	4.98%	5.07%	4.90%	4.85%	0.18%
PERS 2/3					
Statutorily or contractually required contributions	787,797	688,245	589,745	467,422	667,593
Contributions in relation to the statutorily or contractually required contributions	(787,797)	(688,245)	(589,745)	(467,422)	(667,593)
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	10,240,868	9,176,259	8,592,040	7,498,317	6,671,879
Contributions as a percentage of covered employee payroll	7.69%	7.50%	6.86%	6.23%	10.01%
LEOFF 2					
Statutorily or contractually required contributions	216,513	203,012	188,432	179,281	240,031
Contributions in relation to the statutorily or contractually required contributions	(216,513)	(203,012)	(188,432)	(179,281)	(240,031)
Contribution deficiency (excess)	0	0	0	0	0
Covered payroll	4,135,438	3,852,710	3,528,864	3,548,399	4,753,084
Contributions as a percentage of covered employee payroll	5.24%	5.27%	5.34%	5.05%	5.05%

The City is not presenting the full ten year history because the data is not available.

**City of Wenatchee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53- 0021	-	190,115	190,115	35,490	2,3,4a
Total CDBG - Entitlement Grants Cluster:				-	190,115	190,115	35,490	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via WA State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	P17AP00309	457,193	-	457,193	-	2
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via WA State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	P19AP00201	62,730	-	62,730	-	2
Total CFDA 15.916:				519,923	-	519,923	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	State Criminal Alien Assistance Program	16.606	2019-AP-BX- 1280	-	4,643	4,643	-	2
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	N/A	-	4,070	4,070	-	2
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	TAP-0285(020)	373,856	-	373,856	-	2,4b

The accompanying notes are an integral part of this schedule.

**City of Wenatchee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	STUPUS-0285	226	-	226	-	2,4b
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	SRTS-9904 (014)	72,056	-	72,056	-	2,4b
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	NHPP-9904 (015)	1,644,365	-	1,644,365	-	2,4b
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	HSIP-5338(003)	2,700	-	2,700	-	2,4b
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	HSIP-0005 (519)	2,991	-	2,991	-	2,4b
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	HSIP-5817(003)	7,450	-	7,450	-	2,4b
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	SRTS-5802 (002)	6,184	-	6,184	-	2,4b

The accompanying notes are an integral part of this schedule.

**City of Wenatchee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	STPUS-5825 (005)	105,808	-	105,808	-	2, 4b
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportaion)	Highway Planning and Construction	20.205	RAIL-5838(002)	28,929	-	28,929	-	2, 4b
Total Highway Planning and Construction Cluster:				2,244,565	-	2,244,565	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	State and Community Highway Safety	20.600	Distracted Driving	2,519	-	2,519	-	2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	State and Community Highway Safety	20.600	Flex Patrol	976	-	976	-	2
Total CFDA 20.600:				3,495	-	3,495	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	National Priority Safety Programs	20.616	Click It or Ticket	1,517	-	1,517	-	2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	National Priority Safety Programs	20.616	Impaired Driving	6,218	-	6,218	-	2

The accompanying notes are an integral part of this schedule.

City of Wenatchee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	National Priority Safety Programs	20.616	Car Seats	2,000	-	2,000	-	2
			Total CFDA 20.616:	9,735	-	9,735	-	
			Total Highway Safety Cluster:	13,230	-	13,230	-	
			Total Federal Awards Expended:	2,777,718	198,828	2,976,546	35,490	

The accompanying notes are an integral part of this schedule.

CITY OF WENATCHEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019

Note 1 – Basis of Accounting

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

Note 2 – Program Costs

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

Note 3 – Revolving Loan – Program Income

The City has a revolving loan program for low income housing renovation. Under this federal program, repayments to the city are considered program revenue (income) and loans of such funds to eligible recipients are considered expenditures. The amount of the loan funds disbursed to program participants for the year was \$ 0.00 and is presented in this schedule. The amount of principal received in loan repayments for the year was \$23,985.

Note 4 – Indirect Cost Rate

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

- a. The amount expended includes \$56,621 claimed as an indirect cost recovery using an approved indirect cost rate of 1.40 percent.
- b. The amount expended includes \$20,918 claimed as an indirect cost recovery using an approved indirect cost rate of .24 percent.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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