



*City of  
Wenatchee*

# **ANNUAL FINANCIAL REPORT**

**For the fiscal year ended  
December 31, 2021**



**CITY OF WENATCHEE, WA**  
**TABLE OF CONTENTS**  
**For the Fiscal Year Ended December 31, 2021**

Independent Auditor’s Report on the Financial Statements .....	3
Management’s Discussion and Analysis .....	6
Statement of Net Position.....	12
Statement of Activities.....	13
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual.....	18
Statement of Net Position – Proprietary Funds.....	19
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Notes to the Financial Statements.....	22
Schedule of Changes in Total OPEB and Related Ratios.....	50
Schedule of Changes in Total Pension Liability and Related Ratios – Firemen’s Pension Fund.....	51
Schedule of Proportionate Share of the Net Pension Liability – State Sponsored Plans.....	52
Schedule of Employer Contributions – State Sponsored Plans.....	53



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

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS**

Mayor and City Council  
City of Wenatchee  
Wenatchee, Washington

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Wenatchee as of and for the year then ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the aggregate discretely presented component units of the City of Wenatchee, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

## **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

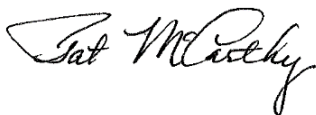
### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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

In accordance with *Government Auditing Standards*, we will also issue our report dated September 20, 2022, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City’s Single Audit Report. 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.

Sincerely,



Pat McCarthy, State Auditor

Olympia, WA

September 20, 2022

**CITY OF WENATCHEE, WASHINGTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2021**

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, 2021. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which immediately follows this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wenatchee, assets exceeded liabilities by \$227,108,177 at the close of the most recent fiscal year. The largest portion of the City's net position (66%) 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 (8%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$58,420,813 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	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	74,330,388	53,942,665	36,287,128	30,853,593	110,617,516	84,796,258
Capital assets	126,570,609	124,096,392	74,920,023	75,286,027	201,490,632	199,382,419
Total assets	200,900,997	178,039,057	111,207,151	106,139,620	312,108,148	284,178,677
<b>Deferred Outflows</b>	1,611,641	1,834,981	4,647,334	4,716,065	6,258,975	6,551,046
<b>Liabilities</b>						
Long-term liabilities	39,827,535	43,364,000	34,416,264	37,891,071	74,243,799	81,255,071
Other liabilities	2,674,254	2,448,297	535,198	745,359	3,209,452	3,193,656
Total liabilities	42,501,789	45,812,297	34,951,462	38,636,430	77,453,251	84,448,727
<b>Deferred Inflows</b>	10,647,446	1,218,270	3,158,249	320,902	13,805,695	1,539,172
<b>Net Position</b>						
Invested in capital assets	103,391,073	99,546,317	46,708,406	44,389,324	150,099,479	143,935,641
Restricted	11,760,047	13,909,778	6,827,838	6,701,147	18,587,885	20,610,925
Unrestricted	34,212,283	19,387,375	24,208,530	20,807,882	58,420,813	40,195,257
Total net position	149,363,403	132,843,470	77,744,774	71,898,353	227,108,177	204,741,823

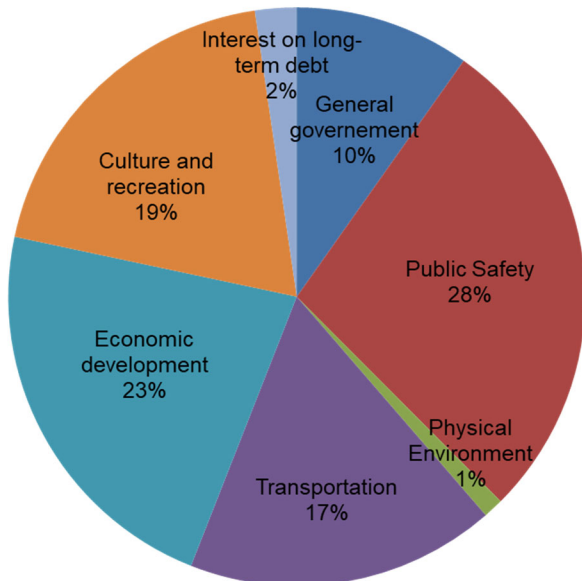
Governmental activities increased the City of Wenatchee's net position by \$14,997,233, accounting for 72% of total growth in the government's net position. The increase in net position is due to the construction and purchase of capital assets at a rate that outpaces depreciation; the recognition of a large pension asset that was previously a liability; paying off debt; and a strong local economy that produced growth in sales tax revenues.

Business-type activities increased City of Wenatchee's net position by \$5,846,421, accounting for 28% of total growth in the government's net position. The increase in net position for business-type activities was driven by the refinancing and repayment of debt and aggressive rate increases across all utilities to fund future utility projects.

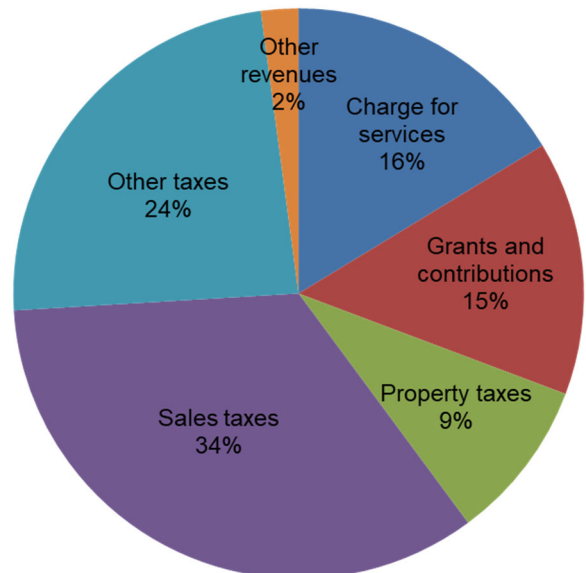
**City of Wenatchee's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charge for services	6,373,307	8,669,951	22,557,681	19,286,615	28,930,988	27,956,566
Operating grants and contributions	7,160,150	2,791,524	101,720	645,894	7,261,870	3,437,418
Capital grants and contributions	2,102,986	4,795,845	275,705	-	2,378,691	4,795,845
<b>General revenues:</b>						
Property taxes	4,651,079	4,538,962	-	-	4,651,079	4,538,962
Sales taxes	17,389,565	14,320,796	-	-	17,389,565	14,320,796
Other taxes	12,122,787	10,178,997	-	-	12,122,787	10,178,997
Other revenues	1,079,465	1,369,861	(50,693)	255,196	1,028,772	1,625,057
<b>Total revenues</b>	<b>50,879,339</b>	<b>46,665,936</b>	<b>22,884,413</b>	<b>20,187,705</b>	<b>73,763,752</b>	<b>66,853,641</b>
<b>Expenses:</b>						
General government	3,540,971	5,440,984	-	-	3,540,971	5,440,984
Public Safety	9,986,530	12,141,935	-	-	9,986,530	12,141,935
Physical Environment	406,333	384,178	-	-	406,333	384,178
Transportation	6,087,781	8,136,143	-	-	6,087,781	8,136,143
Economic development	8,059,947	7,509,959	-	-	8,059,947	7,509,959
Culture and recreation	7,142,485	5,528,432	-	-	7,142,485	5,528,432
Interest on long-term debt	840,113	930,945	-	-	840,113	930,945
Water	-	-	5,375,997	5,312,213	5,375,997	5,312,213
Sewer	-	-	7,710,385	7,545,026	7,710,385	7,545,026
Storm Drain	-	-	2,398,152	2,123,119	2,398,152	2,123,119
Regional Water	-	-	1,035,663	1,084,694	1,035,663	1,084,694
Cemetery	-	-	335,742	421,521	335,742	421,521
<b>Total expenses</b>	<b>36,064,158</b>	<b>40,072,576</b>	<b>16,855,939</b>	<b>16,486,573</b>	<b>52,920,097</b>	<b>56,559,149</b>
Increase in net position before transfers	14,815,180	6,593,360	6,028,474	3,701,132	20,843,654	10,294,492
Transfers	182,053	(19,700)	(182,053)	19,700	-	-
<b>Increase in net position</b>	<b>14,997,233</b>	<b>6,573,660</b>	<b>5,846,421</b>	<b>3,720,832</b>	<b>20,843,654</b>	<b>10,294,492</b>
Net position January 1,	132,843,470	126,269,810	71,898,353	69,982,251	204,741,823	196,252,061
Prior Period Correction	1,522,700	-	-	(1,804,730)	1,522,700	(1,804,730)
<b>Net position December 31,</b>	<b>149,363,403</b>	<b>132,843,470</b>	<b>77,744,774</b>	<b>71,898,353</b>	<b>227,108,177</b>	<b>204,741,823</b>

**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 \$33,091,705 (64%) of total governmental fund assets and \$26,280,304 (61%) 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 \$42,992,816, an increase of \$3,849,511 compared to prior year. Of this figure, \$15,277,147 (36%) 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 (\$4,943,956), restricted by external regulation (\$17,909,386), committed by internal regulation (\$3,336,084), or assigned by the City for particular purposes (\$1,526,243).

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 \$23,249,761. Of this, \$21,012,994 is unassigned fund balance, \$765,564 is assigned to Pre-LEOFF and LEOFF 1 mandated health costs, \$161,227 is committed to code enforcement abatement, and \$1,309,976 is restricted for firefighter pensions.

As of December 31, 2021, the total General Fund balance represented 86% of total General Fund expenditures and the unassigned fund balance represented 78% of total General Fund expenditures. The General Fund experienced total fund balance growth of \$7,761,075, which was a 50% increase over the prior year. The strength of this was due to four main factors:

General Fund Balance as a Percentage of Expenditures					
Year	Total Fund Balance	Unassigned Fund Balance	Expenditures and Other Financing Uses	Fund Balance as a % of Expenditure and Other Financing Uses	
				Total	Unassigned
2021	23,249,761	21,012,994	26,992,076	86.14%	77.85%
2020	15,488,686	12,965,507	27,029,250	57.30%	47.97%
2019	11,177,532	9,924,976	31,184,743	35.84%	31.83%
2018	13,563,016	12,153,394	24,744,561	54.81%	49.12%
2017	12,059,988	10,471,865	25,284,423	47.70%	41.42%

As of December 31, 2021, the total General Fund balance represented 86% of total General Fund expenditures and the unassigned fund balance represented 78% of total General Fund expenditures. The General Fund experienced total fund balance growth of \$7,761,075, which was a 50% increase over the prior year. The strength of this was due to four main factors:

- 1) Sales tax revenue grew by 17% (\$1.7 million) over the prior year due to a strong local economy combined with inflation.
- 2) Eight percent of the General Fund wages budget was related to unfilled positions. This provided savings of \$1.1 million.
- 3) The General fund sold \$1 million of water rights to the Regional Water Utility.
- 4) The City received American Recovery Plan Act Coronavirus Relief Funds which provided the General fund with revenue replacement in the amount of \$2.9 million for 2021. Additional ARPA-CRF funds are expected in 2022.

The Economic Development Capital Projects fund balance decreased by \$969,304 during 2021. The decrease is due to the need to borrow additional funds for demolition of buildings as part of the North Wenatchee Avenue Redevelopment project. This fund has a negative fund balance because it has borrowed funds until all the North Wenatchee Avenue properties are sold for development. The City is working with a real estate developer and these properties are expected to be sold within the next two years.

The New City Hall Remodel fund was created after bonds were issued to purchase and remodel a new City Hall facility. In 2019 the bond proceeds were used to reimburse the initial costs of the new City Hall building and design. The City began the remodel construction in 2021 and expects to finish in the fall of 2022. Construction expenses are expected to completely expend the fund balance during 2022.

**Proprietary funds.** The Water Utility fund, Sewer Utility fund, Storm Drain Utility fund and the Regional Water fund made up the City's major business-type funds during the most recent fiscal year. Together these four funds accounted for \$110,292,095 (99%) of total enterprise fund assets. These funds also accounted for \$77,027,970 (99%) of total enterprise fund net position.

Unrestricted net position of the Water Utility Fund was \$1,821,577 at the end 2021, an increase of \$775,951. Much of this increase is due to increased water utility rates and postponing several capital projects, which will be completed in the next couple years.

Unrestricted net position of the Sewer Utility Fund was \$12,386,458 at the end 2021, an increase of \$1,616,344. Much of this increase is due to increased sewer utility rates and utilizing restricted cash to fund capital projects.

Unrestricted net position of the Storm Drain Utility was \$4,835,454 at the end of 2021, an increase of \$1,065,410. This increase is due to significantly higher utility rates that went into effect in 2021, bringing a 43% increase in operating revenue.

Unrestricted net position of the Regional Water Fund was \$4,916,554 at the end of 2021, a decrease of \$70,005. In prior years, this fund has intentionally grown the net position to finance future capital. During 2021, Regional Water purchased \$1 million of water rights from the City General Fund which resulted in a small reduction to unrestricted net position.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures are generally less than final budgeted expenditures. The typical reason for this is that employee turnover results in unfilled positions that cause budget authority to remain unspent. In addition, the City is legally required to operate within its given budget and typically spends its budget conservatively. The City was in the middle of the health pandemic when the 2021 budget was created. Revenues were down in 2020, so the 2021 budget was built very conservatively. As the economy rebounded, revenues outperformed the 2021 budget by \$2.7 million. Most of this was due to strong sales and utility taxes. Due to the increases in interest rates, the fair market value of investments decreased. This resulted in negative interest earnings. As typical, expenses were under budget by \$2.3 million. Much of this is related to savings that resulted from unfilled positions. A \$2.9 million positive variance in transfers-in is related to American Recovery Plan Act Coronavirus Relief Funds that were used for General Fund revenue replacement.

Through the course of the year General Fund appropriations were amended from \$28,268,750 to \$28,884,480 for a total increase of \$615,730. Most of the budget increases were due to minor one-time purchases and projects. The most significant budget increases were due to COVID-related expenses (\$100,000), the Saddlerock park property purchase (\$173,480), body-worn cameras for the Police Department (\$78,000), and an additional Parks Maintenance position (\$75,000).

## 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, 2021, is \$201,490,632 (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:

- The New City Hall remodel began in 2021 and added \$4,975,819 to construction in progress. This project is expected to be completed in 2022. It is financed with bonds issued in 2019 and will be repaid with General fund revenues.
- The installation of curb, gutter, sidewalk, bike lanes, and lighting on Tacoma Avenue. This project added \$1,060,265 to the infrastructure assets. It is financed with a Transportation Improvement Board (TIB) grant, contribution from the Chelan County PUD, and matching funds provided by the City street and utility funds.
- Acquisition of water rights by the Regional Water fund from the General fund. Added \$1,092,434 to intangible assets.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	23,804,092	26,265,452	2,756,360	2,756,360	26,560,452	29,021,812
Intangible Assets	-	-	4,605,462	3,285,301	4,605,462	3,285,301
Buildings	26,222,787	27,169,617	23,318,217	23,252,878	49,541,004	50,422,495
Improvements other than buildings	7,253,327	7,599,642	-	-	7,253,327	7,599,642
Machinery and equipment	5,343,460	4,595,059	287,295	338,362	5,630,755	4,933,421
Infrastructure	54,227,851	53,990,870	41,877,474	43,764,379	96,105,325	97,755,249
Construction in progress	9,719,093	4,475,752	2,075,215	1,888,747	11,794,308	6,364,499
Total	<u>126,570,610</u>	<u>124,096,392</u>	<u>74,920,023</u>	<u>75,286,027</u>	<u>201,490,633</u>	<u>199,382,419</u>

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

**Long-term Debt.** At the end of the current fiscal year, the City of Wenatchee had bond and loan related long-term debt of \$51,382,240. Of this amount, \$22,024,744 is comprised of general obligation bonds issued by the City that are backed by the full faith and credit of the government, \$199,819 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, \$24,242,839 represents revenue bonds secured solely by utility revenue sources, \$4,914,838 represents loans from the State of Washington to renovate the 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 general tax revenues.

The City's total bond-related total long-term debt decreased by \$3,482,923 (7%) during the current fiscal year. The decrease is due to a 2021 refinancing of revenue bonds, along with the City's regular debt service payments, decreasing the principal balances.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	22,024,744	23,389,720	-	-	22,024,744	23,389,720
Special assessment debt	199,819	199,819	-	-	199,819	199,819
Revenue bonds	-	-	24,242,839	26,360,786	24,242,839	26,360,786
Loans	954,971	960,536	3,959,867	4,524,016	4,914,838	5,484,552
<b>Total</b>	<b>23,179,534</b>	<b>24,550,075</b>	<b>28,202,706</b>	<b>30,884,802</b>	<b>51,382,240</b>	<b>55,434,877</b>

Standard & Poor's assigned AA- bond ratings to all bond issued by the City of Wenatchee as of 12/31/2021 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 \$39.5 million in non-voted debt capacity available as indicated below:

	2.5% General Purpose		With a Public Vote		Total
	Without a Public Vote 1.50%	With a Public Vote 1.00%	Utility Purpose 2.50%	Open Space, Park, and Capital Facilities 2.50%	
Legal Limit*	59,266,775	39,511,183	98,777,958	98,777,958	296,333,874
Outstanding Indebtedness	(19,755,000)	0	0	0	(19,755,000)
Loan Guarantees	(43,750)	0	0	0	(43,750)
<b>Margin Available</b>	<b>39,468,025</b>	<b>39,511,183</b>	<b>98,777,958</b>	<b>98,777,958</b>	<b>276,535,124</b>

\* Based upon the Chelan County Assessors 2020 assessment of property values for 2021 property taxes: \$3,951,118,331

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business Activities	Total	Public Facilities District
<b>ASSETS</b>				
Cash and cash equivalents	32,128,366	17,775,847	49,904,213	17,359,202
Investments	14,892,263	10,103,068	24,995,331	-
Receivables (net)	6,593,441	1,540,749	8,134,190	1,713,889
Inventories	23,505	302,000	325,505	87,757
Prepaid expenses	-	30,000	30,000	150,565
Assets Acquired for Resale	3,664,888	-	3,664,888	-
Internal balances	(3,700,000)	3,700,000	-	-
Net pension asset	15,260,346	2,835,464	18,095,810	-
Equity interest in joint venture	5,467,579	-	5,467,579	-
Capital assets not being depreciated:				
Land	23,804,092	2,756,360	26,560,452	1,706,915
Intangible assets	-	3,944,906	3,944,906	41,254
Construction in progress	9,719,093	2,075,215	11,794,308	-
Capital assets, net of accumulated depreciation:				
Buildings	26,222,787	23,318,217	49,541,004	23,741,295
Other improvements	7,253,327	-	7,253,327	-
Intangible assets	-	660,556	660,556	-
Machinery and equipment	5,343,460	287,295	5,630,755	887,956
Infrastructure	54,227,851	41,877,474	96,105,325	-
Total Assets	<u>200,900,997</u>	<u>111,207,151</u>	<u>312,108,148</u>	<u>45,688,833</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to asset retirement obligations	-	4,176,333	4,176,333	-
Related to pensions	1,611,641	471,001	2,082,642	-
Related to refunding	-	-	-	2,619,981
Total Deferred Outflow of Resources	<u>1,611,641</u>	<u>4,647,334</u>	<u>6,258,975</u>	<u>2,619,981</u>
<b>LIABILITIES</b>				
Current payables	2,491,153	351,202	2,842,355	516,042
Claims and judgements payable	183,101	-	183,101	-
Custodial	-	88,168	88,168	611,509
Accrued interest payable	-	95,828	95,828	305,350
Noncurrent liabilities				
Due within one year	1,029,957	2,226,362	3,256,319	1,720,000
Due in more than one year	38,797,578	32,189,902	70,987,480	37,411,608
Total liabilities	<u>42,501,789</u>	<u>34,951,462</u>	<u>77,453,251</u>	<u>40,564,509</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions	10,647,446	2,923,836	13,571,282	-
Related to refunding	-	234,413	234,413	-
Total Deferred Inflow of Resources	<u>10,647,446</u>	<u>3,158,249</u>	<u>13,805,695</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	103,391,073	46,708,406	150,099,479	(12,753,548)
Restricted for:				
Capital projects	5,074,323	3,095,082	8,169,405	-
Debt service	-	3,127,177	3,127,177	12,125,211
Pension	6,685,724	605,579	7,291,303	-
Unrestricted	34,212,283	24,208,530	58,420,813	8,372,642
Total net position	<u>149,363,403</u>	<u>77,744,774</u>	<u>227,108,177</u>	<u>7,744,305</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, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>				<u>Public Facilities District</u>
<b>Governmental Activities</b>								
General government	3,540,971	1,921,527	3,737,621	-	2,118,177	-	2,118,177	-
Public safety	9,986,530	1,071,276	717,837	-	(8,197,417)	-	(8,197,417)	-
Physical Environment	406,333	30,000	12,189	-	(364,144)	-	(364,144)	-
Transportation	6,087,781	321,555	758,386	1,984,068	(3,023,772)	-	(3,023,772)	-
Economic environment	8,059,947	2,836,852	1,930,392	-	(3,292,703)	-	(3,292,703)	-
Culture and recreation	7,142,485	192,097	3,725	118,918	(6,827,745)	-	(6,827,745)	-
Interest on long-term debt	840,113	-	-	-	(840,113)	-	(840,113)	-
Total governmental activities	<u>36,064,158</u>	<u>6,373,307</u>	<u>7,160,150</u>	<u>2,102,986</u>	<u>(20,427,716)</u>	<u>-</u>	<u>(20,427,716)</u>	<u>-</u>
<b>Business Activities</b>								
Water	5,375,997	6,211,589	-	-	-	835,592	835,592	-
Sewer	7,710,385	10,233,083	13,018	275,705	-	2,811,421	2,811,421	-
Storm Drain	2,398,152	3,573,751	88,702	-	-	1,264,301	1,264,301	-
Regional Water	1,035,663	2,260,822	-	-	-	1,225,159	1,225,159	-
Cemetery	335,742	278,436	-	-	-	(57,306)	(57,306)	-
Total business type activities	<u>16,855,939</u>	<u>22,557,681</u>	<u>101,720</u>	<u>275,705</u>	<u>-</u>	<u>6,079,167</u>	<u>6,079,167</u>	<u>-</u>
Total Primary Government	<u>52,920,097</u>	<u>28,930,988</u>	<u>7,261,870</u>	<u>2,378,691</u>	<u>(20,427,716)</u>	<u>6,079,167</u>	<u>(14,348,549)</u>	<u>-</u>
<b>Component Units</b>								
Public Facilities District	<u>7,654,560</u>	<u>2,622,940</u>	<u>2,438,605</u>	<u>8,214,775</u>				<u>5,621,760</u>
Total Component Unit	<u>7,654,560</u>	<u>2,622,940</u>	<u>2,438,605</u>	<u>8,214,775</u>				<u>5,621,760</u>
General Revenues:								
Property Taxes					4,651,079	-	4,651,079	-
Sales Taxes					17,389,565	-	17,389,565	-
City Utility Taxes					7,736,563	-	7,736,563	-
Other Taxes					4,386,224	-	4,386,224	-
Unrestricted investment earnings					(50,512)	(50,693)	(101,205)	3,920
Gain on Sale of Capital Assets					1,129,977	-	1,129,977	-
Transfers					182,053	(182,053)	-	-
Total general revenues					<u>35,424,949</u>	<u>(232,746)</u>	<u>35,192,203</u>	<u>3,920</u>
Change in net position					14,997,233	5,846,421	20,843,654	5,625,680
Net position beginning balance					132,843,470	71,898,353	204,741,823	2,118,625
Prior Period Correction					1,522,700	-	1,522,700	-
Net position ending balance					<u>149,363,403</u>	<u>77,744,774</u>	<u>227,108,177</u>	<u>7,744,305</u>

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

**CITY OF WENATCHEE, WA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2021**

	<b>General</b>	<b>Economic Development Projects</b>	<b>New City Hall Remodel</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	10,704,244	101,174	5,596,804	11,416,310	27,818,532
Investments	7,360,282	69,427	-	4,561,480	11,991,189
Taxes Receivable	307,270	-	-	-	307,270
Accounts Receivable	464,094	-	-	443,759	907,853
Due from Other Funds	122,683	-	-	-	122,683
Intergovernmental	2,684,738	16,101	-	2,517,123	5,217,962
Interfund Loans Receivable	2,000,000	-	-	-	2,000,000
Assets Acquired for Resale	-	3,664,888	-	-	3,664,888
Total assets	<u>23,643,311</u>	<u>3,851,590</u>	<u>5,596,804</u>	<u>18,938,672</u>	<u>52,030,377</u>
<b>LIABILITIES</b>					
Accounts Payable	209,836	85,695	630,307	1,235,103	2,160,941
Wages Payable	7,912	-	-	15,759	23,671
Due To Other Funds	-	-	-	122,683	122,683
Deposits Payable	7,541	1,849	-	73,892	83,282
Interfund Loans Payable	-	5,700,000	-	-	5,700,000
Total Liabilities	<u>225,289</u>	<u>5,787,544</u>	<u>630,307</u>	<u>1,447,437</u>	<u>8,090,577</u>
<b>DEFERRED INFLOWS of RESOURCES</b>					
Unavailable revenues:					
Special Assessments	-	-	-	239,494	239,494
Property Taxes	44,881	-	-	-	44,881
Grant Reimbursements	-	-	-	148,566	148,566
Misc. Billings	123,380	-	-	390,663	514,043
Total Deferred Inflows of Resource:	<u>168,261</u>	<u>-</u>	<u>-</u>	<u>778,723</u>	<u>946,984</u>
<b>FUND BALANCE</b>					
Nonspendable	-	3,664,888	-	1,279,068	4,943,956
Restricted	1,309,976	-	4,966,497	11,632,913	17,909,386
Committed	161,227	-	-	3,174,857	3,336,084
Assigned	765,564	-	-	760,679	1,526,243
Unassigned	21,012,994	(5,600,842)	-	(135,005)	15,277,147
Total Fund Balances	<u>23,249,761</u>	<u>(1,935,954)</u>	<u>4,966,497</u>	<u>16,712,512</u>	<u>42,992,816</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>23,643,311</u>	<u>3,851,590</u>	<u>5,596,804</u>	<u>18,938,672</u>	<u>52,030,377</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, 2021**

Total Fund Balance Governmental Funds 42,992,816

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	146,851,709	
Less accumulated depreciation	(25,814,018)	
		121,037,691

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

Equity interest in joint venture	5,467,579
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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	239,494	
Property Taxes	44,881	
Grant Reimbursements	148,566	
Misc. Billings	514,043	
		946,984

Long term liabilities are not reported in the governmental funds.

Councilmanic Bonds Payable	(19,755,000)	
LID Bonds Payable	(199,819)	
State CERB Loan	(791,281)	
State PWTF Loan	(163,690)	
Unamortized Bond Premium	(2,269,745)	
Employee Leave Benefits	(1,469,776)	
		(24,649,311)

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

OPEB Benefit for LEOFF	(13,261,521)	
Firemen's Pension	(1,139,220)	
Pension Related Debt	5,625,210	
		(8,775,531)

The Internal Service Funds' assets and liabilities are reported in the governmental funds. 12,343,175

Net position of governmental activities	149,363,403
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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, 2021**

	<u>General</u>	<u>Economic Development Projects</u>	<u>New City Hall Remodel</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	25,392,834	-	-	8,779,849	34,172,683
Licenses and Permits	1,219,985	-	-	-	1,219,985
Intergovernmental	1,184,686	300,000	-	8,111,140	9,595,826
Charges for services	1,600,861	-	-	1,568,387	3,169,248
Fines and Forfeits	876,946	-	-	-	876,946
Investment earnings	(32,793)	(727)	5,836	(22,828)	(50,512)
Special Assessment Payments	-	-	-	1,665	1,665
Miscellaneous	50,589	515,377	-	177,448	743,414
Total Revenues	<u>30,293,108</u>	<u>814,650</u>	<u>5,836</u>	<u>18,615,661</u>	<u>49,729,255</u>
<b>EXPENDITURES</b>					
Current:					
General Government	5,532,735	-	-	52,491	5,585,226
Security of Persons & Property	12,002,433	-	-	-	12,002,433
Physical Environment	406,333	-	-	-	406,333
Transportation	85,637	441,856	-	4,072,673	4,600,166
Economic Environment	2,058,451	1,051,301	-	4,291,812	7,401,564
Culture & Recreation	2,777,527	-	-	3,683,550	6,461,077
Capital Outlay					
General Government	-	-	4,975,819	22,858	4,998,677
Culture & Recreation	-	-	-	475,275	475,275
Economic Development	38,527	-	-	-	38,527
Highway/streets	-	329,118	-	2,774,986	3,104,104
Debt Service					
Principal Retirement	41,812	-	-	1,226,706	1,268,518
Interest and other charges	23,495	3,864	-	812,754	840,113
Total Expenditures	<u>22,966,950</u>	<u>1,826,139</u>	<u>4,975,819</u>	<u>17,413,105</u>	<u>47,182,013</u>
Excess (Deficiency) of Revenue					
Over (Under) Expenditures	<u>7,326,158</u>	<u>(1,011,489)</u>	<u>(4,969,983)</u>	<u>1,202,556</u>	<u>2,547,242</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,330,066	-	-	5,733,956	9,064,022
Proceeds from Sale of Capital Asset:	1,129,977	-	-	-	1,129,977
Debt Issuance Proceeds	-	42,185	-	-	42,185
Transfers Out	(4,025,126)	-	-	(4,908,789)	(8,933,915)
Total Other Financing Sources (Uses)	<u>434,917</u>	<u>42,185</u>	<u>-</u>	<u>825,167</u>	<u>1,302,269</u>
Change in Fund Balance	7,761,075	(969,304)	(4,969,983)	2,027,723	3,849,511
Fund Balance January 1	15,488,686	(4,631,538)	9,936,480	14,684,789	35,478,417
Prior Period Adjustment	-	3,664,888	-	-	3,664,888
Fund Balance December 31	<u>23,249,761</u>	<u>(1,935,954)</u>	<u>4,966,497</u>	<u>16,712,512</u>	<u>42,992,816</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, 2021**

Net change in fund balance - total governmental funds 3,849,511

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	9,511,103	
Disposition of Capital Assets	(2,075,209)	
Depreciation Expense	(1,845,567)	
		5,590,327

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	(1,662)	
Increases in Property Taxes Receivable	(9,252)	
Increases in Grant and Misc. Billings	(573,135)	
Increase in Joint Venture Equity Interest	551,911	
		(32,138)

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

State Loans Received	(42,185)	
Bonds Paid	1,226,706	
State Loans Paid	47,749	
Amortization of loss on refunding	(31,735)	
Amortization of bond premium	138,269	
		1,338,804

The Internal Service funds are used to support governmental activities.

The net revenue (expense) of these funds are reported in governmental activities. 506,167

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	241,971	
Increase in Firemen's Pension liability	80,886	
Decrease in pension related debt	3,525,018	
		3,847,875

Increases in governmental fund compensated absences payable (103,314)

Change in net position of governmental activities. 14,997,233

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, 2021

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Taxes	22,909,650	22,909,650	25,392,834	2,483,184
Licenses & Permits	872,000	872,000	1,219,985	347,985
Intergovernmental	814,600	956,020	1,157,426	201,406
Charges for Services	1,653,160	1,700,160	1,582,189	(117,971)
Fines & Forfeits	991,500	991,500	856,474	(135,026)
Interest Earnings	45,000	45,000	(29,390)	(74,390)
Miscellaneous	36,160	36,160	50,589	14,429
Total Revenues	<u>27,322,070</u>	<u>27,510,490</u>	<u>30,230,107</u>	<u>2,719,617</u>
<b>EXPENDITURES</b>				
Current:				
General Government	6,102,320	6,268,070	5,532,735	735,335
Security of Persons & Property	11,841,970	11,919,970	11,419,667	500,303
Physical Environment	360,880	360,880	360,883	(3)
Transportation	50,000	70,000	85,637	(15,637)
Economic Environment	2,662,020	2,695,520	2,058,451	637,069
Culture & Recreation	2,921,800	3,046,800	2,777,527	269,273
Capital Outlay	-	213,480	38,527	174,953
Debt Service:				
Principal Retirement	38,090	38,090	41,812	(3,722)
Interest and other charges	22,420	22,420	23,495	(1,075)
Total Expenditures	<u>23,999,500</u>	<u>24,635,230</u>	<u>22,338,734</u>	<u>2,296,496</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,322,570</u>	<u>2,875,260</u>	<u>7,891,373</u>	<u>5,016,113</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	262,100	337,100	3,246,086	2,908,986
Proceeds from Sale of Capital Assets	-	1,132,000	1,129,977	(2,023)
Transfers Out	(4,269,250)	(4,249,250)	(4,235,126)	14,124
Total Other Financing Sources (Uses)	<u>(4,007,150)</u>	<u>(2,780,150)</u>	<u>140,937</u>	<u>2,921,087</u>
Change in Fund Balance	(684,580)	95,110	8,032,310	7,937,200
Fund Balance January 1	<u>11,000,000</u>	<u>11,000,000</u>	<u>11,436,996</u>	<u>436,996</u>
Fund Balance December 31	<u>10,315,420</u>	<u>11,095,110</u>	<u>19,469,306</u>	<u>8,374,196</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, 2021**

	<b>WATER</b>	<b>SEWER</b>	<b>STORM DRAIN</b>	<b>REGIONAL WATER</b>	<b>OTHER ENTERPRISE</b>	<b>TOTAL ENTERPRISE</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>ASSETS</b>							
Current Assets							
Cash and cash equivalents	986,359	4,492,403	3,030,004	2,850,746	194,076	11,553,588	4,202,008
Investments	840,568	4,881,133	2,164,648	2,087,782	128,937	10,103,068	2,901,074
Accounts receivable	429,136	730,637	259,724	-	5,097	1,424,594	10,990
Intergovernmental receivable	185	-	41,374	74,596	-	116,155	26,683
Interfund loan receivable	-	3,700,000	-	-	-	3,700,000	-
Inventory of material and supplies	302,000	-	-	-	-	302,000	23,505
Prepaid expense	15,000	15,000	-	-	-	30,000	-
Cash - restricted for capital	-	2,845,082	-	250,000	-	3,095,082	107,826
Total current assets	<u>2,573,248</u>	<u>16,664,255</u>	<u>5,495,750</u>	<u>5,263,124</u>	<u>328,110</u>	<u>30,324,487</u>	<u>7,272,086</u>
Noncurrent Assets							
Cash - restricted for debt service	262,254	2,680,257	184,666	-	-	3,127,177	-
Net pension asset	982,151	1,119,951	421,552	160,965	150,845	2,835,464	1,016,556
Capital assets							
Land	412,617	874,330	947,310	302,446	219,657	2,756,360	-
Buildings	4,672,886	34,327,632	2,442,080	2,623,394	433,606	44,499,598	-
Intangible	155,673	476,102	259,495	4,015,539	19,639	4,926,448	-
Machinery and equipment	1,614,628	307,775	32,467	276,707	-	2,231,577	10,882,668
Infrastructure	22,844,275	28,671,785	10,400,108	9,294,327	-	71,210,495	-
Construction in progress	127,355	1,727,728	220,132	-	-	2,075,215	272,311
Less accumulated depreciation	<u>(13,232,204)</u>	<u>(27,749,763)</u>	<u>(3,234,508)</u>	<u>(8,326,394)</u>	<u>(236,801)</u>	<u>(52,779,670)</u>	<u>(5,622,063)</u>
Total noncurrent assets	<u>17,839,635</u>	<u>42,435,797</u>	<u>11,673,302</u>	<u>8,346,984</u>	<u>586,946</u>	<u>80,882,664</u>	<u>6,549,472</u>
Total Assets	<u>20,412,883</u>	<u>59,100,052</u>	<u>17,169,052</u>	<u>13,610,108</u>	<u>915,056</u>	<u>111,207,151</u>	<u>13,821,558</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Related to asset retirement	283,750	3,342,583	550,000	-	-	4,176,333	-
Related to pensions	163,146	186,036	70,024	26,738	25,057	471,001	168,860
Total Deferred Outflow of Resources	<u>446,896</u>	<u>3,528,619</u>	<u>620,024</u>	<u>26,738</u>	<u>25,057</u>	<u>4,647,334</u>	<u>168,860</u>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	54,806	202,575	62,081	7,781	964	328,207	98,069
Wages and benefits payable	209	16,377	-	577	32	17,195	2,506
Deposits payable	5,800	-	-	-	-	5,800	-
Claims and judgements payable	-	-	-	-	-	-	183,101
Custodial	68,168	-	-	20,000	-	88,168	-
Accrued interest payable	8,023	78,893	8,912	-	-	95,828	-
Due to other governments - current	-	550,404	25,958	-	-	576,362	-
Revenue bonds payable - current	317,560	1,152,744	179,696	-	-	1,650,000	-
Total current liabilities	<u>454,566</u>	<u>2,000,993</u>	<u>276,647</u>	<u>28,358</u>	<u>996</u>	<u>2,761,560</u>	<u>283,676</u>
Noncurrent liabilities							
Due to other governments	-	2,968,185	415,320	-	-	3,383,505	-
Revenue bonds payable	2,416,467	18,556,330	1,620,041	-	-	22,592,838	-
Asset retirement obligations	500,000	4,000,000	1,000,000	-	-	5,500,000	-
Net pension liability	93,613	106,747	40,180	15,342	14,378	270,260	96,891
Compensated absences	186,320	137,356	27,021	40,213	52,389	443,299	218,438
Total Non-current Liabilities	<u>3,196,400</u>	<u>25,768,618</u>	<u>3,102,562</u>	<u>55,555</u>	<u>66,767</u>	<u>32,189,902</u>	<u>315,329</u>
Total Liabilities	<u>3,650,966</u>	<u>27,769,611</u>	<u>3,379,209</u>	<u>83,913</u>	<u>67,763</u>	<u>34,951,462</u>	<u>599,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Related to Pensions	1,012,761	1,154,856	434,691	165,982	155,546	2,923,836	1,048,238
Related to Refunding	41,257	145,289	47,867	-	-	234,413	-
Total Deferred Inflow of Resources	<u>1,054,018</u>	<u>1,300,145</u>	<u>482,558</u>	<u>165,982</u>	<u>155,546</u>	<u>3,158,249</u>	<u>1,048,238</u>
<b>NET POSITION</b>							
Net Invested in Capital Assets	13,861,203	15,407,926	8,817,157	8,186,019	436,101	46,708,406	5,532,916
Restricted	472,015	5,764,531	274,698	284,378	32,216	6,827,838	324,935
Unrestricted	1,821,577	12,386,458	4,835,454	4,916,554	248,487	24,208,530	6,485,324
Total Net Position	<u>16,154,795</u>	<u>33,558,915</u>	<u>13,927,309</u>	<u>13,386,951</u>	<u>716,804</u>	<u>77,744,774</u>	<u>12,343,175</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, 2021**

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES:</b>							
Residential Utility Sales	3,577,823	3,783,415	1,412,242	-	-	8,773,480	-
Commercial/Industrial Utility Sales	2,573,095	5,451,554	2,139,179	2,048,567	-	12,212,395	-
Connection Fees	10,473	986,127	-	-	-	996,600	-
Charges for Services	35,684	6,000	22,330	-	278,412	342,426	5,216,089
Intergovernmental	-	-	-	-	-	-	402,912
Miscellaneous	14,514	5,987	-	212,255	24	232,780	37,043
Total Operating Revenues	<u>6,211,589</u>	<u>10,233,083</u>	<u>3,573,751</u>	<u>2,260,822</u>	<u>278,436</u>	<u>22,557,681</u>	<u>5,656,044</u>
<b>OPERATING EXPENSES:</b>							
Operations and Maintenance	2,246,759	2,533,430	1,093,659	614,991	325,798	6,814,637	3,625,478
Payment of Premiums	-	-	-	-	-	-	1,146,970
General Administration	2,416,232	3,026,384	929,740	-	-	6,372,356	-
Depreciation	625,365	1,417,014	308,195	420,672	9,944	2,781,190	447,196
Total Operating Expenses	<u>5,288,356</u>	<u>6,976,828</u>	<u>2,331,594</u>	<u>1,035,663</u>	<u>335,742</u>	<u>15,968,183</u>	<u>5,219,644</u>
Operating Income (Loss)	923,233	3,256,255	1,242,157	1,225,159	(57,306)	6,589,498	436,400
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Interest Income	(6,360)	(16,377)	(13,545)	(13,903)	(508)	(50,693)	(22,956)
Debt Interest & Related Charges	(87,641)	(733,557)	(66,558)	-	-	(887,756)	-
Grant Revenue	-	13,018	88,702	-	-	101,720	-
Insurance Recoveries	-	-	-	-	-	-	125,976
Gain (Loss) on Capital Assets	-	-	-	-	-	-	(85,199)
Non-Operating Revenues (Expenses)	<u>(94,001)</u>	<u>(736,916)</u>	<u>8,599</u>	<u>(13,903)</u>	<u>(508)</u>	<u>(836,729)</u>	<u>17,821</u>
<b>Net Income Before Transfers and Contributions</b>							
	829,232	2,519,339	1,250,756	1,211,256	(57,814)	5,752,769	454,221
Transfers In	-	-	-	-	261,000	261,000	51,946
Transfers Out	(71,293)	(168,947)	(34,847)	-	(167,966)	(443,053)	-
Capital Contributions	-	275,705	-	-	-	275,705	-
Change in Net Position	757,939	2,626,097	1,215,909	1,211,256	35,220	5,846,421	506,167
Net Position January 1	15,396,856	30,932,818	12,711,400	12,175,695	681,584	71,898,353	11,837,008
Net Position December 31	<u>16,154,795</u>	<u>33,558,915</u>	<u>13,927,309</u>	<u>13,386,951</u>	<u>716,804</u>	<u>77,744,774</u>	<u>12,343,175</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, 2021**

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
<b>Cash Flows from Operating Activities:</b>							
Cash received from customers	6,228,563	10,293,610	3,503,529	2,043,924	294,715	22,364,341	5,293,219
Cash payments to vendors	(3,447,350)	(4,096,078)	(1,508,636)	(427,334)	(140,389)	(9,619,787)	(3,464,620)
Cash payments to employees	(1,645,091)	(1,858,389)	(703,047)	(270,194)	(259,122)	(4,735,843)	(1,720,485)
Other operating revenues	14,514	5,987	(5,663)	212,255	24	227,117	439,955
Net cash provided by operating activities	<u>1,150,636</u>	<u>4,345,130</u>	<u>1,286,183</u>	<u>1,558,651</u>	<u>(104,772)</u>	<u>8,235,828</u>	<u>548,069</u>
<b>Cash Flows From Noncapital Financing Activities:</b>							
Transfers from other funds	-	-	-	-	261,000	261,000	51,946
Transfers to other funds	(71,293)	(168,947)	(34,847)	-	(167,966)	(443,053)	-
Net cash provided by noncapital financing	<u>(71,293)</u>	<u>(168,947)</u>	<u>(34,847)</u>	<u>-</u>	<u>93,034</u>	<u>(182,053)</u>	<u>51,946</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>							
Acquisition and construction of capital assets	(10,127)	(614,029)	(97,770)	(1,417,554)	-	(2,139,480)	(1,156,170)
Proceeds from bond issuance	1,602,754	5,644,246	1,859,559	-	-	9,106,559	-
Principal repayment on revenue bonds	(1,977,913)	(6,918,823)	(2,093,358)	-	-	(10,990,094)	-
Interest and related costs paid on revenue bonds	(87,641)	(696,097)	(59,739)	-	-	(843,477)	-
Repayment of construction loans	-	(544,309)	(19,840)	-	-	(564,149)	-
Interest and related costs on construction loans	-	(37,460)	(6,819)	-	-	(44,279)	-
Insurance Recoveries	-	-	-	-	-	-	125,976
Grant proceeds	-	13,021	88,702	-	-	101,723	-
Proceeds from sale of equipment	-	-	-	-	-	-	75,000
Capital contributed by customers	-	-	-	-	-	-	-
Net cash used for capital and related financing	<u>(472,927)</u>	<u>(3,153,451)</u>	<u>(329,265)</u>	<u>(1,417,554)</u>	<u>-</u>	<u>(5,373,197)</u>	<u>(955,194)</u>
<b>Cash Flows From Investing Activities:</b>							
Maturity of investments	102,246	671,908	306,414	346,013	23,046	1,449,627	519,994
Purchase of investments	(840,568)	(4,881,133)	(2,164,648)	(2,087,782)	(128,937)	(10,103,068)	(2,901,074)
Interest on investments	(6,360)	(16,377)	(13,545)	(13,902)	(508)	(50,692)	(22,956)
Net cash provided(used) in investing activities	<u>(744,682)</u>	<u>(4,225,602)</u>	<u>(1,871,779)</u>	<u>(1,755,671)</u>	<u>(106,399)</u>	<u>(8,704,133)</u>	<u>(2,404,036)</u>
Net increase (decrease) in cash and cash equivalents	(138,266)	(3,202,870)	(949,708)	(1,614,574)	(118,137)	(6,023,555)	(2,759,215)
Cash and cash equivalents at beginning of year	1,386,879	13,220,612	4,164,378	4,715,320	312,213	23,799,402	7,069,049
Cash and cash equivalents at end of year	<u>1,248,613</u>	<u>10,017,742</u>	<u>3,214,670</u>	<u>3,100,746</u>	<u>194,076</u>	<u>17,775,847</u>	<u>4,309,834</u>
<b>Reconciliation of Operating Income to net cash provided (used) by operating activities</b>							
Operating Income (Loss)	923,233	3,256,255	1,242,157	1,225,159	(57,306)	6,589,498	436,400
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>							
Depreciation	625,365	1,417,014	308,195	420,672	9,944	2,781,190	447,196
Change in assets and liabilities:							
(Increase) Decrease Accounts Receivable	18,372	81,515	(73,670)	-	16,303	42,520	102,712
(Increase) Decrease Prepayments	15,000	(15,000)	-	-	-	-	(4,046)
(Increase) Decrease Due From Other Governments	(185)	-	(2,215)	(4,643)	-	(7,043)	-
(Increase) Decrease Due From Other Funds	-	-	-	-	-	-	(25,581)
(Increase) Decrease Inventory	(3,663)	-	-	-	-	(3,663)	(1,832)
(Increase) Decrease Asset Retirement Activities	5,000	40,000	10,000	-	-	55,000	-
Increase (Decrease) Accounts Payable	(94,167)	(25,742)	(32,502)	(37,015)	(15,462)	(204,888)	-
Increase (Decrease) Wages Payable	94	10,678	(57)	(193)	(107)	10,415	2,006
Increase (Decrease) Retainage Payable	(13,991)	-	-	-	-	(13,991)	-
Increase (Decrease) Customer Deposits Payable	(1,700)	-	-	-	-	(1,700)	-
Increase (Decrease) Pension Activities	(383,738)	(423,815)	(157,284)	(61,255)	(62,539)	(1,088,631)	(400,140)
Increase (Decrease) Accrued Employee Leave	61,016	4,225	(8,441)	15,926	4,395	77,121	(8,646)
Total Adjustments	<u>227,403</u>	<u>1,088,875</u>	<u>44,026</u>	<u>333,492</u>	<u>(47,466)</u>	<u>1,646,330</u>	<u>111,669</u>
Net Cash Provided by Operating Activities	<u>1,150,636</u>	<u>4,345,130</u>	<u>1,286,183</u>	<u>1,558,651</u>	<u>(104,772)</u>	<u>8,235,828</u>	<u>548,069</u>

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

**CITY OF WENATCHEE, WASHINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2021**

**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 unit discussed below is 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. The City does not report any blended component units. 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.

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

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

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

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

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

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

The City of Wenatchee reports the following major governmental funds:

- The **General Fund** is the City of Wenatchee's primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The primary revenue sources are property, sales and utility taxes. GASB 54 requires that funds supported by general revenues but for management reasons are accounted for in separate funds be consolidated with the general fund for reporting purposes. The City consolidates five funds into the General Fund. Because of this, the General Fund's fund balance was increased by: \$1,603,434 Rainy Day Fund; \$396,196 LEOFF Long Term Care Fund; \$369,368 LEOFF Retiree Health Insurance Fund; \$161,227 Abatement Fund; and \$1,250,230 Firemen's Pension Fund. The consolidation process eliminates transfers between funds and adds the revenues and expenditures to the General Fund's balances.
- The **Economic Development Capital Projects Fund** accounts for major capital projects undertaken by the City to promote Economic Development. The purchase and sale of properties in North Wenatchee were significant transactions that made this fund a major fund. Industrial properties in North Wenatchee have been purchased to redevelop an area that suffered damage in a prior year fire. These properties will have new roads constructed and sold to promote mixed use zoning.
- The **New City Hall Remodel Capital Projects Fund** accounts for the costs to purchase and remodel the new City Hall facility in the old Federal Building. The majority of the funding for this project came from the bond proceeds of the 2019 LTGO debt issuance.

The City of Wenatchee reports the following major proprietary funds:

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

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

## C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

### 1. Government wide and Governmental Funds

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

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

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

### 2. Proprietary Funds

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

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

**D. BUDGETARY INFORMATION**

**1. Scope of Budget**

Annual appropriated budgets are adopted at the fund level for the governmental funds on the modified accrual basis of accounting. Proprietary funds are also budgeted at a fund level but on a working capital basis.

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

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

**2. Reconciliation of Budgetary and Actual Statements**

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

	General Fund Budgetary Basis	Adjustments					General Fund GAAP Basis
		Rainy Day	LEOFF			Firemen's Pension	
			LEOFF LT Care	Retiree Health	Abatement		
Revenues	30,230,107	(4,053)	(897)	(936)	37,930	30,957	30,293,108
Expenditures	22,338,734	-	201,392	267,153	45,450	114,221	22,966,950
Other Fin. Sources (Uses)	140,937	-	-	240,000	83,980	(30,000)	434,917
Change in Fund Balance	8,032,310	(4,053)	(202,289)	(28,089)	76,460	(113,264)	7,761,075

**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 2021 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 nonmajor special revenue fund) has a deficit fund balance of \$135,005 at December 31, 2021. The deficit was a result of the City expending grant financed projects that were not reimbursed until after yearend.
- The Economic Development Projects Capital Fund has a deficit fund balance of \$1,935,954 at December 31, 2021. The deficit resulted from interfund loans required to purchase North Wenatchee redevelopment properties. These properties are expected to be sold within a couple years to repay the interfund loans.

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

### 1. Cash, Cash Equivalents

It is the city's policy to invest all temporary cash surpluses. At December 31, 2021, the state treasurer was holding \$46,832,769 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, 2021 special assessments receivable totaled \$239,494. 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 2021 that will be recognized as a tax credit in 2022.

### 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 – restricted for capital construction:	\$3,095,082
Cash – restricted for debt service:	\$3,127,177

**7. Capital Assets**

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

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

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

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

**8. Deferred Outflows/Inflows of Resources/Deferred Revenues**

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

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

**9. Compensated Absences**

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

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

**10. Pensions**

For purposes of measuring the net pension liability, net pension asset, 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.

For purposes of calculating the restricted net position related to the net pension asset, the City includes the net pension asset and the related deferred outflows and deferred inflows.

**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 an ordinance or resolution of the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint.
- *Assigned* fund balance comprises amounts intended to be used by the City for specific purposes. City Council or Finance Committee is authorized to assign fund balances.
- *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 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 2021:

	General	Economic Development	New City Hall Remodel	Non-Major Funds
Nonspendable				
Cemetery Endowment	-	3,664,888	-	1,279,068
Restricted				
Employee benefits	8,676	-	-	-
Firemen's Pension	1,250,230	-	-	-
Construction contracts	8,000	-	-	-
Law enforcement operations	43,070	-	-	-
Building construction	-	-	4,966,497	-
Streets, sidewalks, transportation	-	-	-	5,281,829
Hotel/motel & convention	-	-	-	1,171,903
Low income assistance programs	-	-	-	1,149,430
Local revitalization district	-	-	-	3,906,933
Local improvement district	-	-	-	122,818
	<u>1,309,976</u>	<u>-</u>	<u>4,966,497</u>	<u>11,632,913</u>
Committed				
Code enforcement	161,227	-	-	-
Public art	-	-	-	315,901
Streets, sidewalks, transportation	-	-	-	2,784,729
Community Center	-	-	-	41,565
LTGO debt	-	-	-	32,662
	<u>161,227</u>	<u>-</u>	<u>-</u>	<u>3,174,857</u>
Assigned				
LEOFF retiree health	765,564	-	-	-
Park capital projects	-	-	-	760,679
	<u>765,564</u>	<u>-</u>	<u>-</u>	<u>760,679</u>
Unassigned	21,012,994	(5,600,842)	-	(135,005)
Total fund balance	<u>23,249,761</u>	<u>(1,935,954)</u>	<u>4,966,497</u>	<u>16,712,512</u>

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

- General Fund operating reserve – 15% of recurring expenditures
- General Fund rainy day reserve – \$1 million
- Utility funds – 25% of operating expenses
- Other 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, 2021 the carrying amount of the City’s cash balances was \$3,071,444 which consisted of bank deposits and petty cash.

The City’s deposits 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). Under State statute, members of WPDPC may be assessed losses on a prorated basis if the pool’s collateral provides insufficient coverage. Deposits collateralized in the multiple institution collateral pool are considered insured, and therefore not exposed to custodial credit risk.

**B. INVESTMENTS**

**1. Investment Types**

Local Government Investment Pool (LGIP). The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone 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>.

Separately Managed Portfolio. The City of Wenatchee entered into an Interagency Agreement with the State of Washington’s Office of the State Treasurer in 2021. The purpose of this agreement was to authorize the State Treasurer’s Office to invest the City’s core funds in a separately managed investment portfolio. On February 1, 2021 a transfer in the amount of \$25 million was made within the State Treasurer’s Office from the LGIP account to the Separately Managed Account. The State Treasurer’s Office invests these funds in accordance with the State’s investment policies and procedures and provides monthly reporting to the City of Wenatchee. The City does not record the individual transactions but records the net investment changes monthly. As these are longer-term funds, the balance of the portfolio is reported at market value as of the valuation date.

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

As of December 31, 2021, the City has the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity (Years)</u>		<u>Credit Rating</u>
		<u>Less than 1</u>	<u>1 to 5</u>	
Local Government Investment Pool	46,832,769	46,832,769		Not Rated
Separately Managed Portfolio	24,795,512		24,795,512	Not Rated
Riverside Dr LID	199,819		199,819	Not Rated
	71,828,100	46,832,769	24,995,331	

**2. Investment Risks**

Investments are subject to the following risks.

Interest Rate Risk. Interest rate risk is the risk the City may face should interest rate variances affect the fair value of investments. The City does not have a formal policy that addresses interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 securities, the Washington State Investment Pool, and the Washington State Treasurer Separately Managed Accounts, no more than 30 percent of the city’s total investment portfolio will be invested in a single security type or single financial institution.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in the Separately Managed Portfolio are purchased by the State of Washington’s office of the State Treasurer and are held and registered in the State’s name in the trust or safekeeping department of a financial institution as established by a written third-party safekeeping agreement between the State and financial institution.

**3. Fair Value**

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, 2021, the City had the following investments measured at fair value:

Investment by Fair Value Level	12/31/2021	Fair Value Measurement Using	
		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Riverside Drive LID	199,819		199,819
Separately Managed Porfolio	24,795,512	24,795,512	
	24,995,331	24,795,512	199,819
<b>Investment Measured at Amortized Cost</b>			
Local Government Investment Pool (LGIP)	46,832,769		
Total Investments	<u>71,828,100</u>		

**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 2021 was \$1.08976 per \$1,000 on an assessed valuation of \$3,951,118,331 for a total levy of \$4,305,770.

In addition to the regular levy, the City had a bond levy that was approved by voters in September 2001 for the construction of a police station. The 2021 levy was \$0.09475 per \$1,000 on an assessed valuation of \$3,467,422,477 for a total levy of \$328,542. This was the last year of the bond levy.

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	Taxes Levied for UTGO Bonds	Assessed Value Regularly Levy Purposed	Assessed Value Bond Levy Purposes
2021	1.08976	0.09475	4,305,770	328,542	3,951,118,331	3,467,422,477
2020	1.11111	0.09891	4,186,669	327,932	3,768,014,339	3,315,496,178
2019	1.06648	0.10815	3,692,463	327,637	3,462,296,482	3,029,495,753
2018	1.11474	0.12036	3,343,174	327,827	2,999,055,290	2,723,618,763
2017	1.11315	0.12685	3,220,000	326,040	2,892,690,819	2,570,318,354
2016	1.15333	0.13710	2,779,431	326,040	2,409,916,482	2,378,002,208

**NOTE 5. CAPITAL ASSETS**

Government wide capital asset activity for the year ended December 31, 2021 was as follows:

<b>Governmental Activities</b>	Beginning Balance	Prior Period Adjustment	Additions	Deletions	Ending Balance
<b>Capital assets not being depreciated:</b>					
Land	26,265,452	(3,664,888)	1,242,055	38,527	23,804,092
Construction in progress	4,475,752	-	6,498,513	1,255,172	9,719,093
<b>Total capital assets not being depreciated</b>	<b>30,741,204</b>	<b>(3,664,888)</b>	<b>7,740,568</b>	<b>1,293,699</b>	<b>33,523,185</b>
<b>Capital assets being depreciated:</b>					
Buildings	40,213,221	-	-	-	40,213,221
Improvements other than buildings	10,043,410	-	99,903	166,870	9,976,443
Machinery and equipment	10,143,230	-	1,360,670	256,317	11,247,583
Infrastructure	62,194,763	-	1,942,944	1,091,450	63,046,257
<b>Total capital assets being depreciated</b>	<b>122,594,624</b>	<b>-</b>	<b>3,403,517</b>	<b>1,514,637</b>	<b>124,483,504</b>
<b>Less accumulated depreciation for:</b>					
Buildings	13,043,604	-	946,830	-	13,990,434
Improvements other than buildings	2,443,769	-	447,231	167,884	2,723,116
Machinery and equipment	5,548,171	-	452,071	96,119	5,904,123
Infrastructure	8,203,891	-	614,515	-	8,818,406
<b>Total accumulated depreciation</b>	<b>29,239,435</b>	<b>-</b>	<b>2,460,647</b>	<b>264,003</b>	<b>31,436,079</b>
<b>Total capital assets being depreciated, net</b>	<b>93,355,189</b>	<b>-</b>	<b>942,870</b>	<b>1,250,634</b>	<b>93,047,425</b>
<b>Governmental activities capital assets, net</b>	<b>124,096,393</b>	<b>(3,664,888)</b>	<b>8,683,438</b>	<b>2,544,333</b>	<b>126,570,610</b>

Depreciation was charged to governmental activities as follows:

General government	836,544
Public safety	150,028
Culture and recreation	853,240
Infrastructure	620,835
<b>Total depreciation expense governmental activities</b>	<b>2,460,647</b>

<b>Business-Type Activities</b>	Beginning Balance	Reclassification Adjustments	Additions	Deletions	Ending Balance
<b>Capital assets not being depreciated:</b>					
Land	2,756,360	-	-	-	2,756,360
Construction in progress	1,888,747	-	588,710	402,242	2,075,215
Intangible assets	2,527,353	-	1,417,553	-	3,944,906
<b>Total capital assets not being depreciated</b>	<b>7,172,460</b>	<b>-</b>	<b>2,006,263</b>	<b>402,242</b>	<b>8,776,481</b>
<b>Capital assets being depreciated:</b>					
Buildings	40,193,290	4,206,050	100,258	-	44,499,598
Intangible	981,542	-	-	-	981,542
Machinery and equipment	2,231,577	-	-	-	2,231,577
Infrastructure	74,705,639	(4,206,050)	710,906	-	71,210,495
<b>Total capital assets being depreciated</b>	<b>118,112,048</b>	<b>-</b>	<b>811,164</b>	<b>-</b>	<b>118,923,212</b>
<b>Less accumulated depreciation for:</b>					
Buildings	16,940,411	3,230,012	1,010,958	-	21,181,381
Intangible	223,594	-	97,392	-	320,986
Machinery and equipment	1,893,216	-	51,066	-	1,944,282
Infrastructure	30,941,259	(3,230,012)	1,621,774	-	29,333,021
<b>Total accumulated depreciation</b>	<b>49,998,480</b>	<b>-</b>	<b>2,781,190</b>	<b>-</b>	<b>52,779,670</b>
<b>Total capital assets being depreciated, net</b>	<b>68,113,568</b>	<b>-</b>	<b>(1,970,026)</b>	<b>-</b>	<b>66,143,542</b>
<b>Business-type activities capital assets, net</b>	<b>75,286,028</b>	<b>-</b>	<b>36,237</b>	<b>402,242</b>	<b>74,920,023</b>

Depreciation was charged against business-type activities as follows:

Water	625,365
Sewer	1,417,014
Storm Darin	308,195
Regional Water	420,672
Cemetery	9,944
<b>Total depreciation expense business-type activities</b>	<b>2,781,190</b>

The reclassification adjustments column displays corrections for building assets that had been classified as infrastructure.

## **NOTE 6. PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2021:

<b>Aggregate Pension Amount - All Plans</b>	
Pension liabilities	\$ 1,968,523
Pension assets	18,095,810
Deferred outflows of resources	2,082,643
Deferred inflows of resources	13,571,282
Pension expense/expenditures	(3,430,364)

### **A. PLAN DESCRIPTIONS**

#### **1. 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](http://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 2021 were as follows:

PERS Plan 1					
Actual Contribution Rates:	Employer	Employee	Actual Contribution Rates:	Employer	Employee
January - June 2021			July - December 2021		
PERS Plan 1	7.92%	6.00%	PERS Plan 1	10.07%	6.00%
PERS Plan 1 UAAL	4.87%		PERS Plan 1 UAAL	0.00%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Total	12.97%	6.00%	Total	10.25%	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 2021 were as follows:

PERS Plan 2/3					
Actual Contribution Rates:	Employer 2/3	Employee 2	Actual Contribution Rates:	Employer 2/3	Employee 2
January - June 2021			July - December 2021		
PERS Plan 2/3	7.92%	7.90%	PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	4.87%		PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%		Administrative Fee	0.18%	
Employee PERS Plan 3		varies	Employee PERS Plan 3		varies
Total	12.97%	7.90%	Total	10.25%	6.36%

The city's actual PERS plan contributions were \$450,414 to PERS Plan 1 and \$749,538 to PERS Plan 2/3 for the year ended December 31, 2021.

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

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

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

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

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

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

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

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

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2					
Actual Contribution Rates:	Employer	Employee	Actual Contribution Rates:	Employer	Employee
January - June 2021			July - December 2021		
State and local governments	5.15%	8.59%	State and local governments	5.12%	8.53%
Administrative Fee	0.18%		Administrative Fee	0.18%	
<b>Total</b>	<b>5.33%</b>	<b>8.59%</b>	<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>

The city’s actual contributions to the plan were \$237,440 for the year ended December 31, 2021.

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, 2021, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$149,935.

**2. 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, 2021, there were a total of 14 retirees or beneficiaries eligible for retirement benefits. Of these 16 the State of Washington pays 4, the City pays 2, and the City and State share the cost of the remaining 8.

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

Benefit Provisions

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

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

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

The Firemen’s Pension Fund is rolled into the city’s General Fund for financial statement reporting purposes. The financial statements are prepared using the accrual basis of accounting where revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Funding for the Firemen’s Pension Fund has historically come from property taxes diverted from the General Fund and distributions from the State from fire insurance premium collections. Milliman, Inc. has completed actuarial studies of the fund

biennially beginning in January 1, 2008; the most recent of which was performed as of January 1, 2020 with a measurement date of December 31, 2021. 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, 2021, the General Fund reported restricted net position of \$1,250,230 for payment of future benefits.

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

## **B. ACTUARIAL ASSUMPTIONS**

### **1. State Sponsored Plans**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

There were no changes in methods and assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

### **2. Employer Sponsored Plan**

The Firemen's Pension's actuarial assumptions used in the January 1, 2020 pension actuarial valuation includes techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation date: January 1, 2020. Measurement date: December 31, 2021. Actuarial cost method: entry age normal. Inflation rate: 2.25%. Projected salary increases: 3.25%. Mortality rates were based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members). The Firemen's Pension Fund benefit adjustments are based on the change in salary for the rank the members held at retirement based on the Consumer Price Index. Adjustments are determined in accordance with RCW 41.18.150, RCW 41.20 and RCW 41.26.

**C. DISCOUNT RATE**

**1. State Sponsored Plan**

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

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

**2. Employer Sponsored Plan**

The discount rate of 2.00 percent used to measure the Firemen’s Pension Fund’s Total Pension Liability, is a blended rate made up of a long-term expected rate of return on the plan investments and a municipal bond rate. The long-term expected rate of return may be used to discount liabilities to the extent that the Plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. The Bond Buyer General Obligation 20-bond municipal bond index for bond that mature in 20 years is 2.12 percent as of December 31, 2021. Rounding to the nearest ¼ percent results in a discount rate of 2.00 percent. Using 2.00 percent for both the long-term expected rate of return and the bond index will mean that 2.00% could be used as the single discount rate.

**D. LONG-TERM EXPECTED RATE OF RETURN**

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

**E. ESTIMATED RATES OF RETURN BY ASSET CLASS**

State Sponsored Plans. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

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

**F. SENSITIVITY OF NPL**

**1. State Sponsored Plan**

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	\$ 1,412,765	\$ 829,303	\$ 320,465
PERS 2/3	(2,478,680)	(8,700,768)	(13,824,661)
LEOFF 1	(2,361,351)	(2,622,953)	(2,849,283)
LEOFF 2	(4,270,483)	(6,772,088)	(8,820,403)

**2. Employer Sponsored Plan**

The following table presents the net pension liability for the City, calculated using the discount rate of 2.00 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 (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total pension liability	\$ 1,227,986	\$ 1,139,220	\$ 1,060,957

**G. PENSION PLAN FIDUCIARY NET POSITION**

**1. State Sponsored Plan**

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

**2. Employer Sponsored Plan**

The Firemen’s Pension Fund’s total pension liability was calculated based on the discount rate and actuarial assumptions and was then projected forward to the measurement date. Any significant changes during the period have been reflected as prescribed by GASB 73. The net pension liability of the City at December 31, 2021, was \$1,139,220. There was no covered payroll.

<b>Change in Total Pension Liability</b>	
Balance as of December 31, 2020	\$ 1,220,108
Changes for the year:	
Interest on total pension liability	23,364
Benefit payments	(104,252)
Balances as of December 31, 2021	1,139,220

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

**1. Liability (Asset)**

At June 30, 2021, the city reported a total pension asset of \$18,095,809 and a total pension liability of \$1,968,523 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 829,303
PERS 2/3	(8,700,768)
LEOFF 1	(2,622,953)
LEOFF 2	(6,772,088)
Firemen's Pension	1,139,220

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 asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$ (2,622,953)	\$ (6,772,088)
State's proportionate share of the net pension asset associated with the employer	(17,741,588)	(4,368,736)
TOTAL	\$ (20,364,540)	\$ (11,140,824)

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

	Proportionate Share 6/30/2020	Proportionate Share 6/30/2021	Change in Proportion
PERS 1	0.070136 %	0.067907 %	-0.002229 %
PERS 2/3	0.090754	0.087343	-0.003411
LEOFF 1	0.075539	0.076570	0.001031
LEOFF 2	0.109105	0.116591	0.007486

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all

other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

**2. Pension Expense**

For the year ended December 31, 2021, the city recognized pension expense as follows:

	Pension Expense
PERS 1	\$ (276,531)
PERS 2/3	(1,982,585)
LEOFF 1	(409,840)
LEOFF 2	(757,512)
Firemen's Pension	(3,896)

**3. Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2021, 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	\$ (920,249)
Contributions subsequent to the measurement date	\$ 236,116	\$ 0
Total	\$ 236,116	\$ (920,249)

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 422,584	\$ (106,663)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (7,271,801)
Change of assumptions	\$ 12,715	\$ (617,899)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 372,848	\$ (55,329)
Contributions subsequent to the measurement date	\$ 401,028	\$ 0
Total	\$ 1,209,174	\$ (8,051,692)

LEOFF 1	Deferred Outflows	Deferred Inflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (801,474)
Total	\$ 0	\$ (801,474)

LEOFF 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 307,156	\$ (35,790)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (3,228,980)
Change of assumptions	\$ 2,927	\$ (322,081)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 186,274	\$ (211,017)
Contributions subsequent to the measurement date	\$ 140,995	\$ 0
Total	\$ 637,352	\$ (3,797,868)

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, 2022. 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
2022	(243,774)	(1,915,607)	(212,900)	(861,070)
2023	(223,386)	(1,784,957)	(194,736)	(802,339)
2024	(211,220)	(1,704,337)	(183,752)	(757,965)
2025	(241,869)	(1,846,356)	(210,085)	(853,524)
2026	0	6,158	0	(11,479)
Thereafter	0	1,552	0	(15,134)

There were no deferred inflows or outflows for the Firemen’s Pension Fund as of December 31, 2021.

**NOTE 7. RISK MANAGEMENT**

**A. 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, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

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

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

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

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

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

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

## **B. 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, 2021, 105 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. Pollution, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company, and CHUBB in 2021, AWC RMSA carried a retention of \$200,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides 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.



### C. 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, 2021, the City had accrued the following amounts for outstanding claims:

Incurred/ Reported	Incurred but not Reported	Total Claims Payable
83,101	100,000	183,101

The following schedule presents changes in claims liabilities:

	Property & Casualty	
	2021	2020
Claims liabilities, January 1	113,130	129,418
Claims and operating expenses:		
Incurred during current year	271,209	124,620
Paid	(201,238)	(140,908)
Claims liabilities, December 31	183,101	113,130

### **NOTE 8. SHORT-TERM DEBT**

The City had no short-term debt as of December 31, 2021.

### **NOTE 9. LONG-TERM LIABILITIES**

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

### A. GENERAL OBLIGATION BONDS AND LOANS

#### 1. 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:

- 2015 LTGO Convention Center Bonds. 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.
- 2016 LTGO LRF Bonds. 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.
- 2019 LTGO City Hall Bonds. 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.

**2. 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. The final payment on the UTGO bonds was made on December 1, 2021.

**3. Community Economic Revitalization Board Loan**

In 2018, the City was awarded a loan for the purchase of property to extend McKittrick Street. These loans are expected to be repaid by the General fund.

**4. 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 12/31/2021 the City had drawn a total of \$667,288, of which \$180,552 was general obligation.

General obligation bonds and loans currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Average Installment
Convention Center Improvements and Refunding Bonds	2015 - 2029	4.5% - 5.5%	4,277,000	374,000
Public Services Center Construction / Local Revitalization Area Improvements	2016 - 2037	2% - 4%	9,005,000	609,895
New City Hall / Streets	2017 - 2027	4% - 5%	12,180,000	580,000
Police Station Construction	2013 - 2021	1.4% - 3.6%	2,649,850	139,500
CERB Loan, Development Projects	2020 - 2039	2.50%	859,409	55,129
PWTF Loan, Development Projects	2019 - 2038	1.66%	180,552	11,063

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
2022	1,015,000	764,450	35,347	20,519	9,629	2,650
2023	1,016,000	731,796	36,230	19,635	9,629	2,557
2024	1,053,000	699,239	37,136	18,730	9,629	2,398
2025	1,095,000	665,567	38,064	17,801	9,629	2,238
2026-2030	5,271,000	2,678,060	205,081	74,247	48,144	8,791
2031-2035	5,790,000	1,615,600	232,030	47,298	48,144	4,795
2036-2039	4,515,000	421,600	207,392	16,070	28,886	959
	19,755,000	7,576,311	791,281	214,301	163,690	24,388

As of December 31, 2021, the city has \$32,662 available in debt service funds to service the general bonded debt.

**B. REVENUE BONDS AND LOANS**

- 2021 Water/Sewer/Storm Revenue Bonds - Issued \$7,660,000 in 2021 to refinance \$8,905,000 of the 2011 Water/Sewer/Storm Revenue Bonds. The bonds were issued at a premium of \$1,218,289. The refinancing debt resulting in a net present value savings of \$1,683,185 and all proceeds 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 2021 refunding bonds are being repaid by operating revenue of the individual proprietary funds that benefitted from the capital projects financed by the originating 2011 revenue bonds.
- 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 12/31/2021 the City had drawn a total of \$667,288, of which \$486,736 was revenue debt related to the Storm Drain fund.

Revenue debt currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Average Installment
2021 Water/Sewer/Storm Revenue Bonds	2021 - 2030	3% - 5%	7,660,000	979,012
2018 Sewer Revenue and Water/Sewer Refunding Bonds	2018 - 2038	3% - 5%	15,435,000	1,163,830
State Revolving Fund (SRF) Loan, Sewer Improvements	2007 - 2026	1.50%	7,391,665	440,000
2013 Public Works Trust Fund Loan, Sewer Improvements	2012 - 2031	0.50%	1,870,000	102,000
2013 Public Works Trust Fund Loan, Sewer Improvements	2012 - 2031	0.50%	765,000	44,000
2018 Public Works Trust Fund Loan, Stormwater	2019 - 2038	1.66%	486,736	25,777

Revenue debt service requirements to maturity are as follows:

Year Ending December 31	Revenue Bonds		State Revolving Fund		PWTF Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	1,650,000	916,450	409,654	30,230	166,710	10,664
2023	1,690,000	866,950	415,840	24,043	166,708	10,061
2024	1,585,000	800,550	422,121	17,762	166,708	9,278
2025	1,655,000	736,400	428,496	11,387	166,708	8,496
2026-2030	8,170,000	2,668,000	434,968	4,915	833,542	30,737
2031-2035	3,975,000	1,245,850			270,539	13,279
2036-2039	2,845,000	287,900			77,873	2,585
	21,570,000	7,522,100	2,111,079	88,337	1,848,789	85,100

As of December 31, 2021, restricted assets in the proprietary funds contain \$3,127,177 in sinking funds and reserves as required by bond indentures.

**C. SPECIAL ASSESSMENT 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, 2021 the LID Guaranty Fund had a fund balance of \$122,818.

In 2011 the City completed the Riverside Drive Street Improvements of \$2,550,555. The City's Water Sewer, Cemetery Endowment and Firemen's Pension Funds purchased these bonds.

Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2022	19,982	11,110
2023	19,982	9,999
2024	19,982	8,888
2025	19,982	7,777
2026-2030	99,910	22,220
2030-2031	19,981	1,111
	199,819	61,104

**D. EMPLOYEE LEAVE BENEFITS**

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, 2021 is \$43,750. 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). During 2021, the District refunded the 2012 bonds and extinguished the reservation of debt capacity.

**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, 2021 Standard & Poor's rates the City as AA- for both revenue bonds and UTGO/LTGO bonds.

## H. CHANGES IN LONG-TERM LIABILITIES

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

	Outstanding 1/1/2021	Additions	Reductions	Outstanding 12/31/2021	Due Within One Year
<b>Governmental Activities</b>					
Bonds and Loans Payable					
U.T.G.O. bonds	314,706	-	314,706	-	-
L.T.G.O. bonds	20,667,000	-	912,000	19,755,000	965,000
WA State CERB Loan	825,766	-	34,485	791,281	35,347
WA State PWTF Loan	134,770	42,185	13,265	163,690	9,629
Special assessment debt	199,819	-	-	199,819	19,981
Unamortized premium	2,408,014	-	138,269	2,269,745	-
Total Bonds and Loans Payable	24,550,075	42,185	1,412,725	23,179,535	1,029,957
Net pension liability	3,716,887	-	2,018,622	1,698,265	-
Total OPEB liability	13,503,492	265,025	506,996	13,261,521	-
Compensated absences	1,593,546	94,668	-	1,688,214	-
Government activity long-term debt	43,364,000	401,878	3,938,343	39,827,535	1,029,957
<b>Business-Type Activities</b>					
Bonds and Loans Payable					
Revenue bonds	24,365,000	7,660,000	10,455,000	21,570,000	1,650,000
SRF Loan	2,514,637	-	403,558	2,111,079	409,653
PWTF Loans	2,009,379	-	160,591	1,848,788	166,708
Unamortized premium	1,995,786	850,325	173,273	2,672,838	-
Total bonds and loans payable	30,884,802	8,510,325	11,192,422	28,202,705	2,226,361
Asset retirement liability	5,500,000	-	-	5,500,000	-
Net pension liability	1,140,091	-	869,831	270,260	-
Compensated absences	366,178	93,499	-	459,677	16,378
Business-type activity long-term debt	37,891,071	8,603,824	12,062,253	34,432,642	2,242,739

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 \$218,438 of internal service funds compensated absences are included in the above amounts. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General fund.

### NOTE 10. 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.

### NOTE 11. 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.

#### A. 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, 2021, are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant	122,683
Total		122,683

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, 2021 the loans outstanding are as follows:

Interfund Receivable/Payable			
Receivable Fund	Payable Fund	Total	To be Repaid in 2022
General Fund	Economic Development Capital Projects	2,000,000	Undetermined
Sewer Fund	Economic Development Capital Projects	3,700,000	3,700,000
Total		5,700,000	3,700,000

Both interfund loans are to cash-flow the purchase of redevelopment properties. The City is actively working with real estate agent to market and sell the redevelopment properties. Proceeds from the property sales are expected to repay the loans within three years.

**B. 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 2021 the following transfers in/out occurred:

Transfers From:	Transfers To:				Total
	General	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General	-	3,725,167	261,000	38,959	4,025,126
Nonmajor governmental	2,900,000	2,008,789	-	-	4,908,789
Water	64,800	-	-	6,493	71,293
Sewer	165,700	-	-	3,247	168,947
Storm Drain	31,600	-	-	3,247	34,847
Nonmajor Enterprise	167,966	-	-	-	167,966
Total transfers	3,330,066	5,733,956	261,000	51,946	9,376,968

Significant transfers that occurred during 2021 include:

- Transfers from property tax revenues in the General Fund to the Street Maintenance Fund of \$3,000,000 to support street maintenance.
- Transfers from various funds to the LTGO Debt Service Fund of \$1,702,215 to make the required annual debt service payments.
- Transfer of \$2,900,000 from the ARP Recovery special revenue fund to the General fund to support government services.

**NOTE 12. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**A. PLAN DESCRIPTION**

In addition to pension benefits discussed in note 6, the City of Wenatchee administers a single employer defined benefit plan covering post-retirement healthcare and long-term care in accordance with State statute for retired police and fire employees eligible under the Firemen’s Pension Fund and Law Enforcement Officers and Firefighters Plan 1 (LEOFF 1). The activity of the plan is reported in the General Fund. LEOFF retirement benefit provisions are established in State statute and may be amended only by the State Legislature.

The following table represents the aggregate OPEB for all plans subject to the requirements of GASB Statement 75 for the year 2021:

Aggregate OPEB Amounts	
OPEB liability	\$ 13,261,521
OPEB assets	\$ 0
Deferred outflows of resources	\$ 0
Deferred inflows of resources	\$ 0
OPEB expense	\$ 265,025

**B. 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, 2021, the number of individuals eligible for this benefit is as follows:

	Active	Retired	Total	Medicare Eligible
Fire	0	13	13	11
Police	0	12	12	12
	0	25	25	23

**C. 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 23 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.

**D. ACTUARIAL ASSUMPTIONS**

The actuarial assumptions used in the January 1, 2021 OPEB actuarial valuations include techniques that are designed to estimate the future experience of the members, reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Assumptions were as follow:

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

**E. SENSITIVITY ANALYSIS**

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate at December 31, 2021:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$ 15,203,123	\$ 13,261,521	\$ 11,664,180

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 11,644,424	\$ 13,261,521	\$ 15,176,278

**F. CHANGES IN THE TOTAL OPEB LIABILITY**

The City had a full actuarial valuation performed for the plans as of January 1, 2020, with a measurement date of December 31, 2020 to determine the funding status of the plan as of that date. An update was recently performed with a valuation date of January 1, 2020 and a measurement date of December 31, 2021 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 12/31/2020	\$ 13,503,492
Changes for the year:	
Service Cost	-
Interest on total OPEB liability	265,025
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	-
Expected benefit payments	(506,996)
Total OPEB Liability at 12/31/2021	13,261,521

During 2021 the City purchased medical and prescription insurance coverage for those covered by the OPEB plan at a cost of \$204,641. In addition to this, the City reimbursed Medicare premiums to the qualifying participants in the amount of \$41,398. After all insurance carriers had been billed, the City was responsible for an additional \$219,107 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.

**NOTE 13. ASSET RETIREMENT OBLIGATIONS**

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

**NOTE 14. 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 2021, Rivercom received total revenues of \$8,190,243 and incurred total expenses of \$6,160,162 resulting in an increase in fund balance of \$2,030,081, and ending fund balance of \$15,601,954. Rivercom produces financial statements using a cash basis of accounting, but the City estimates Rivercom's net assets on a full accrual basis. See note 15 for more information on this estimation change. One-quarter of estimated accrual-basis revenues, expenses, and net assets are included in the City's 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 15. PRIOR PERIOD CORRECTIONS**

##### **A. RIVERCOM EQUITY INTEREST**

As described in Note 14, the City reports an equity interest in the government-wide financial statements related to a joint venture with Rivercom. Rivercom produces cash-basis financial statements. In prior financial statements, the City included the equity interest on a cash basis in the accrual-basis government-wide statements. For the 2021 financial statements, the City implemented an estimation process to convert Rivercom's cash-basis financial information to a full accrual basis. This estimation process includes Rivercom's actual long-term debt and estimated capital assets, net of estimated depreciation. This change requires a \$1,522,700 adjustment to the net position of the governmental activities on the Statement of Activities.

##### **B. ASSETS ACQUIRED FOR RESALE**

In prior financial statements the City reported a capital asset as land, but should have classified it as an Asset Acquired for Resale. On the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, the Economic Development Projects fund reports a prior period adjustment of \$3,664,888 and a new classification of Asset Acquired for Resale. This land asset is related to the North Wenatchee Redevelopment project. The City purchased a property which is being actively marketed to sell to developers and businesses.

**CITY OF WENATCHEE, WA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**Last 10 fiscal Years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	0	0	0	0
Interest on total OPEB liability	265,025	319,817	394,196	369,895
Change of benefit terms	0	0	0	0
Effect of economic/demographic gains or losses	0	1,688,257	0	0
Effect of assumptions changes or inputs	0	125,120	1,832,334	(723,379)
Expected benefit payments	(506,996)	(515,297)	(387,865)	(333,200)
Net change in total OPEB liability	<u>(241,971)</u>	<u>1,617,897</u>	<u>1,838,665</u>	<u>(686,685)</u>
Total OPEB Liability, beginning	<u>13,503,492</u>	<u>11,885,595</u>	<u>10,046,930</u>	<u>10,733,614</u>
Total OPEB Liability, ending	<u><u>13,261,521</u></u>	<u><u>13,503,492</u></u>	<u><u>11,885,595</u></u>	<u><u>10,046,930</u></u>
Covered employee payroll	0	0	0	0
Total OPEB liability as a % of covered employee payroll	N/A	N/A	N/A	N/A

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

**CITY OF WENATCHEE, WA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS**  
**FIREMEN'S PENSION FUND**  
**For the year ending December 31, 2021**  
**Last 10 Fiscal Years \***

	2021	2020	2019	2018	2017
<b>Total pension liability - beginning</b>	1,220,108	1,205,840	1,161,349	1,262,832	1,315,226
Interest on total pension liability	23,364	31,714	44,409	42,455	44,148
Effect of economic/demographic gains or losses	-	22,014	-	-	12,094
Effect of assumptions, changes or inputs	-	66,526	103,357	(43,435)	-
Benefit payments	(104,252)	(105,986)	(103,275)	(100,503)	(108,636)
<b>Net change in total pension liability</b>	<b>(80,888)</b>	<b>14,268</b>	<b>44,491</b>	<b>(101,483)</b>	<b>(52,394)</b>
<b>Total pension liability - ending</b>	<b>1,139,220</b>	<b>1,220,108</b>	<b>1,205,840</b>	<b>1,161,349</b>	<b>1,262,832</b>
<b>Covered payroll</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total pension liability as a % of covered payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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

Notes to Schedule:

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

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

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

**CITY OF WENATCHEE, WA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**STATE SPONSORED PENSION PLANS**  
**As of June 30, 2021**  
**Last 10 Fiscal Years \***

PERS 1	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.067907%	0.070136%	0.068797%	0.066077%	0.058982%	0.060722%	0.065437%
City's proportionate share of the net pension liability	829,303	2,476,180	2,645,489	2,951,021	2,798,742	3,261,057	3,422,964
Covered payroll	10,446,333	10,605,215	9,650,521	8,829,446	8,134,877	7,054,126	7,336,424
City's proportionate share of the net pension liability as a percentage of covered employee payroll	7.94%	23.35%	27.41%	33.42%	34.40%	46.23%	46.66%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
<b>PERS 2/3</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability (asset)	0.087343%	0.090754%	0.088691%	0.084205%	0.075033%	0.074763%	0.081164%
City's proportionate share of the net pension liability (asset)	(8,700,768)	1,160,692	861,491	1,437,725	2,607,038	3,764,258	2,900,036
Covered payroll	10,446,333	10,601,225	9,641,876	8,821,466	8,098,743	6,927,802	7,202,866
City's proportionate share of the net pension liability as a percentage of covered employee payroll	-83.29%	10.95%	8.93%	16.30%	32.19%	54.34%	40.26%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	85.82%
<b>LEOFF 1</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability (asset)	0.076570%	0.075539%	0.074750%	0.074351%	0.075717%	0.077205%	0.077203%
City's proportionate share of the net pension liability (asset)	(2,622,953)	(1,426,561)	(1,477,517)	(1,349,844)	(1,148,793)	(795,432)	(930,467)
State's proportionate share of the net pension liability (asset) associated with the City	(17,741,588)	(9,649,222)	(9,993,886)	(9,130,311)	(7,770,410)	(5,380,284)	-
TOTAL	(20,364,541)	(11,075,783)	(11,471,403)	(10,480,155)	(8,919,203)	(6,175,716)	(930,467)
Covered payroll	-	-	-	-	-	-	74,253
City's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-1253.10%
Plan fiduciary net position as a percentage of the total pension liability	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%
<b>LEOFF 2</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability (asset)	0.116591%	0.109105%	0.115940%	0.112178%	0.106158%	0.125999%	0.199133%
City's proportionate share of the net pension liability (asset)	(6,772,088)	(2,225,583)	(2,685,974)	(2,277,458)	(1,473,129)	(732,848)	(2,046,689)
State's proportionate share of the net pension liability (asset) associated with the City	(4,368,736)	(1,423,092)	(1,758,953)	(1,474,611)	(955,591)	(477,764)	(3,399,963)
TOTAL	(11,140,824)	(3,648,675)	(4,444,927)	(3,752,069)	(2,428,720)	(1,210,612)	(5,446,652)
Covered payroll	4,502,766	4,137,101	4,054,984	3,741,605	3,495,595	3,817,016	2,791,617
City's proportionate share of the net pension liability as a percentage of covered employee payroll	-247.42%	-88.19%	-109.62%	-100.28%	-69.48%	-31.72%	-195.11%
Plan fiduciary net position as a percentage of the total pension liability	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

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

**CITY OF WENATCHEE, WA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**STATE SPONSORED PENSION PLANS**  
**For the year ended December 31, 2021**  
**Last 10 Fiscal Years \***

PERS 1	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	450,414	501,871	510,023	465,707	421,781	368,462	12,485
Contributions in relation to the statutorily or contractually required contributions	(450,414)	(501,871)	(510,023)	(465,707)	(421,781)	(368,462)	(12,485)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	10,491,605	10,465,877	10,248,848	9,184,239	8,600,020	7,594,451	6,796,546
Contributions as a percentage of covered employee payroll	4.29%	4.80%	4.98%	5.07%	4.90%	4.85%	0.18%
<b>PERS 2/3</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily or contractually required contributions	749,538	828,975	787,797	688,245	589,745	467,422	667,593
Contributions in relation to the statutorily or contractually required contributions	(749,538)	(828,975)	(787,797)	(688,245)	(589,745)	(467,422)	(667,593)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	10,491,605	10,465,877	10,240,868	9,176,259	8,592,040	7,498,317	6,671,879
Contributions as a percentage of covered employee payroll	7.14%	7.92%	7.69%	7.50%	6.86%	6.23%	10.01%
<b>LEOFF 2</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutorily or contractually required contributions	237,440	223,403	216,513	203,012	188,432	179,281	240,031
Contributions in relation to the statutorily or contractually required contributions	(237,440)	(223,403)	(216,513)	(203,012)	(188,432)	(179,281)	(240,031)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered payroll	4,613,368	4,335,896	4,135,438	3,852,710	3,528,864	3,548,399	4,753,084
Contributions as a percentage of covered employee payroll	5.15%	5.15%	5.24%	5.27%	5.34%	5.05%	5.05%

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