



*City of  
Wenatchee*

# ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2023



**CITY OF WENATCHEE, WA**  
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**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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee as of and for the year then ended December 31, 2023, 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wenatchee, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Streets funds 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.

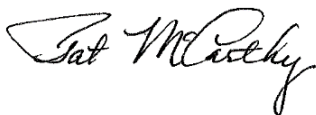
### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information as 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 4, 2024, 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 4, 2024

**CITY OF WENATCHEE, WASHINGTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2023**

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, 2023. 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information in addition to the basic statements themselves.

The government-wide financial statements include 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 are presented using 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. In contrast, 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 governmental 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 fully understanding 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 \$276,535,796 at the close of the most recent fiscal year. The largest portion of the City's net position (75%) 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 (5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$55,780,491 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	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	61,219,275	65,615,951	35,682,534	33,918,156	96,901,809	99,534,107
Capital assets	<u>164,072,743</u>	<u>141,617,305</u>	<u>97,276,698</u>	<u>85,229,442</u>	<u>261,349,441</u>	<u>226,846,747</u>
Total assets	<u>225,292,018</u>	<u>207,233,256</u>	<u>132,959,232</u>	<u>119,147,598</u>	<u>358,251,250</u>	<u>326,380,854</u>
<b>Deferred Outflows</b>	4,347,465	4,241,048	5,090,246	5,268,653	9,437,711	9,509,701
<b>Liabilities</b>						
Long-term liabilities	34,960,369	35,797,215	41,034,952	36,368,774	75,995,321	72,165,989
Other liabilities	<u>4,379,365</u>	<u>3,529,351</u>	<u>2,788,954</u>	<u>1,893,242</u>	<u>7,168,319</u>	<u>5,422,593</u>
Total liabilities	<u>39,339,734</u>	<u>39,326,566</u>	<u>43,823,906</u>	<u>38,262,016</u>	<u>83,163,640</u>	<u>77,588,582</u>
<b>Deferred Inflows</b>	7,157,897	7,779,479	831,627	1,278,325	7,989,524	9,057,804
<b>Net Position</b>						
Invested in capital assets	143,467,485	120,745,829	62,596,582	55,494,603	206,064,067	176,240,432
Restricted	9,791,338	8,446,802	4,718,065	4,565,707	14,509,404	13,012,510
Unrestricted	<u>29,883,028</u>	<u>35,175,628</u>	<u>26,079,298</u>	<u>24,815,600</u>	<u>55,962,326</u>	<u>59,991,227</u>
Total net position	<u>183,141,851</u>	<u>164,368,259</u>	<u>93,393,945</u>	<u>84,875,910</u>	<u>276,535,796</u>	<u>249,244,169</u>

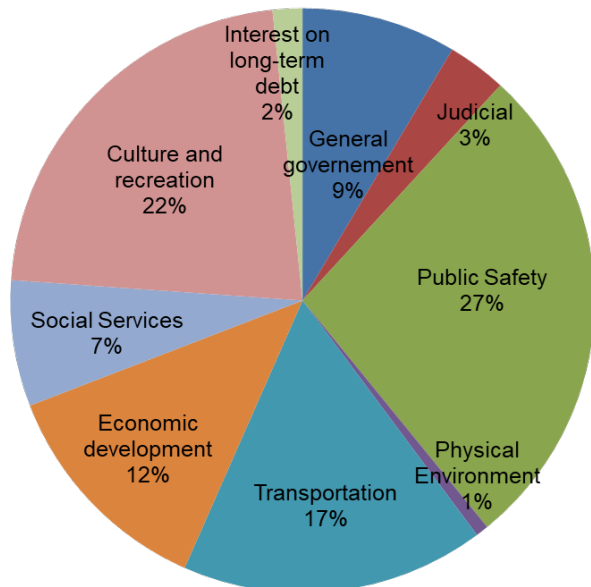
Governmental activities increased the City of Wenatchee's net position by \$18,773,592, accounting for 69% of total growth in the government's net position. The increase in net position is largely due to the construction of infrastructure capital assets, funded by a significant amount of external grant revenue. More detail on these capital asset projects can be found later in this discussion.

Business-type activities increased City of Wenatchee's net position by \$8,518,035, accounting for 31% of total growth in the government's net position. The increase in net position for business-type activities was largely driven by the construction of utility infrastructure capital assets, funded through substantial service rate increases across all utilities. More detail on these capital asset projects can be found later in this discussion.

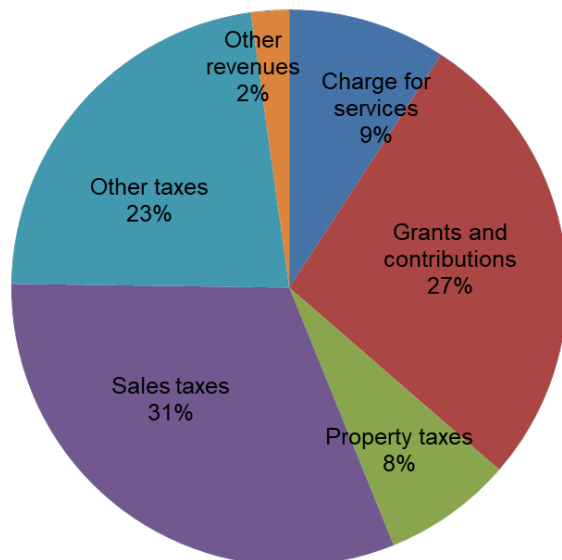
**City of Wenatchee's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charge for services	5,941,053	6,035,008	26,269,150	24,139,413	32,210,203	30,174,421
Operating grants and contributions	3,789,623	4,934,804	311,312	2,210,890	4,100,935	7,145,694
Capital grants and contributions	13,778,894	5,110,103	-	166,100	13,778,894	5,276,203
<b>General revenues:</b>						
Property taxes	4,849,248	4,774,984	-	-	4,849,248	4,774,984
Sales taxes	20,258,476	19,361,843	-	-	20,258,476	19,361,843
Other taxes	14,587,258	12,937,953	-	-	14,587,258	12,937,953
Other revenues	1,430,316	570,665	1,488,482	(168,806)	2,918,798	401,859
<b>Total revenues</b>	<b>64,634,868</b>	<b>53,725,360</b>	<b>28,068,944</b>	<b>26,347,597</b>	<b>92,703,812</b>	<b>80,072,957</b>
<b>Expenses:</b>						
General government	3,914,991	6,415,238	-	-	3,914,991	6,415,238
Judicial	1,494,693	1,294,522	-	-	1,494,693	1,294,522
Public Safety	12,478,413	8,271,787	-	-	12,478,413	8,271,787
Physical Environment	324,221	316,700	-	-	324,221	316,700
Transportation	7,676,627	6,989,811	-	-	7,676,627	6,989,811
Economic development	5,731,646	5,264,153	-	-	5,731,646	5,264,153
Social Services	3,188,203	1,100,775	-	-	3,188,203	1,100,775
Culture and recreation	10,170,093	8,633,388	-	-	10,170,093	8,633,388
Interest on long-term debt	753,988	799,330	-	-	753,988	799,330
Water	-	-	6,404,793	5,650,938	6,404,793	5,650,938
Sewer	-	-	8,691,438	8,430,493	8,691,438	8,430,493
Storm Drain	-	-	2,943,218	3,273,506	2,943,218	3,273,506
Regional Water	-	-	1,151,022	1,100,489	1,151,022	1,100,489
Cemetery	-	-	488,838	395,835	488,838	395,835
<b>Total expenses</b>	<b>45,732,876</b>	<b>39,085,705</b>	<b>19,679,309</b>	<b>18,851,261</b>	<b>65,412,185</b>	<b>57,936,966</b>
Increase in net position before transfers	18,901,992	14,639,656	8,389,635	7,496,336	27,291,627	22,135,992
Transfers	(128,400)	365,200	128,400	(365,200)	-	-
<b>Increase in net position</b>	<b>18,773,592</b>	<b>15,004,856</b>	<b>8,518,035</b>	<b>7,131,136</b>	<b>27,291,627</b>	<b>22,135,992</b>
Net position January 1,	164,368,259	149,363,403	84,875,910	77,744,774	249,244,169	227,108,177
<b>Net position December 31,</b>	<b>183,141,851</b>	<b>164,368,259</b>	<b>93,393,945</b>	<b>84,875,910</b>	<b>276,535,796</b>	<b>249,244,169</b>

**Expenses - Governmental Activities**



**Revenues by Source - Governmental Activities**





**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

**Governmental funds.** The General Fund, Arterial Streets Fund, and Economic Development Capital Projects Fund made up the City’s major governmental funds during the most recent fiscal year. Together these three funds account for \$25,933,064 (60%) of total governmental fund assets and \$17,812,281 (57%) of the total governmental fund balance.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$31,135,380, a decrease of \$6,509,123 compared to prior year. Of this figure, \$10,395,659 (33%) 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 (\$5,046,753), restricted by external regulation (\$10,143,831), committed by internal regulation (\$1,971,914), or assigned by the City for particular purposes (\$3,577,223).

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 \$18,076,319. Of this, \$15,977,871 is unassigned fund balance, \$685,752 is assigned to LEOFF mandated health costs, \$180,777 is committed to code enforcement abatement, \$1,094,070 is restricted for firefighter pensions, \$71,924 is restricted for opioid treatment and prevention, and \$65,925 is restricted for employee benefits, construction contracts, and law enforcement operations.

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
2023	18,076,319	15,977,871	39,764,565	45.46%	40.18%
2022	22,927,455	20,939,262	35,886,516	63.89%	58.35%
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%

As of December 31, 2023, the total General Fund balance represented 45% of total General Fund expenditures and the unassigned fund balance represented 40% of total General Fund expenditures. The General Fund experienced a fund balance decrease of \$4,851,136, which was a 21% decrease over the prior year.

Several factors go into this relatively large decrease in fund balance. The City had accumulated significant reserves over the past several years and intentionally budgeted to spend down \$5 million of the fund balance to finance several one-time projects such as pavement preservation, upgrading City facilities, redevelopment of property in North Wenatchee, the Lincoln Park renovation project, and beginning to finance the Confluence Parkway (INFRA grant) project.

General Fund revenues continued to be strong in 2023. Sales tax revenue grew by 5.2% (\$675,000) over the prior year due to a healthy local economy and inflationary factors. Utility tax revenue grew by 5.9% (\$500,000) over the prior year, largely due to increases in City utility rates. General Fund recurring revenues exceeded budget by 6.5% while recurring expenses underspent budget by 2.1%.

During 2023, the Arterial Street Fund performed a significant amount of street projects that were funded largely by grants. This increased activity qualified the Arterial Street Fund as a major fund. The beginning fund balance was previously reported with the nonmajor funds, but was reclassified on the Statement of Revenues, Expenditures and Changes in Fund Balances. The Arterial Street Fund balance decreased by \$675,423 during 2023 because it used reserves to provide grant matching requirements.

The Economic Development Capital Projects Fund balance increased by \$1,120,668 during 2023. The increase is due to a General Fund transfer to subsidize a portion of the North Wenatchee Avenue Redevelopment project. This fund has a negative fund balance because it has borrowed funds from the General Fund 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 substantially completed the project in 2022. This fund was previously reported as a major fund, but since the project was complete, it no longer qualifies as a major fund and was reclassified on the Statement of Revenues, Expenditures and Changes in Fund Balances.

**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 \$132,041,474 (99%) of total enterprise fund assets. These funds also accounted for \$92,554,200 (99%) of total enterprise fund net position.

Unrestricted net position of the Water Utility Fund was \$3,774,221 at the end 2023, an increase of \$866,490. Much of this increase is due to increased water utility rates, and is intentionally being accumulated to perform capital projects in the next couple years.

Unrestricted net position of the Sewer Utility Fund was \$7,579,415 at the end 2023, a decrease of \$2,762,852. Although operating income increased, reserves and state loans were used to finance the construction of significant capital projects.

Unrestricted net position of the Storm Drain Utility was \$5,636,565 at the end of 2023, an increase of \$860,719. Much of this increase is due to increased storm water utility rates, and is intentionally being accumulated to perform needed capital projects.

Unrestricted net position of the Regional Water Fund was \$8,754,822 at the end of 2023, an increase of \$2,285,591. The City is intentionally growing the net position of this fund to finance future regional capital projects.

**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 designs and spends its budget conservatively. The City was recovering from the health pandemic when the 2023 budget was created during the summer of 2022. Revenues had been down in prior two years and there was still uncertainty about how revenues would perform in 2023, so the 2023 budget was built conservatively. The economy stayed strong in 2023 and revenues outperformed the 2023 budget by \$2.7 million. Most of this was driven by strong sales and utility taxes. Interest rates increased greatly the past couple years which resulted in interest earning outperforming budget by \$367,944. As typical, expenditures were under budget by \$2.7 million. Some of this is related to one-time projects that were delayed, along with savings that resulted from underfilled positions.

Through the course of the year General Fund appropriations were amended from \$35,296,650 to \$41,523,760 for a total increase of \$6,227,110. Most of the budget increases were due to one-time purchases and projects. The most significant budget increases were due to a contribution to the North Wenatchee Redevelopment Project (\$3 million), Confluence Parkway (INFRA grant) contribution (\$1.5 million), the purchase of property for the RV Safe Park (\$800,000), and pavement preservation (\$500,000).

**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, 2023, is \$261,349,440 (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:

- Columbia Street North is part of the North Wenatchee Avenue Redevelopment project and was substantially completed in 2023 at \$4.1 million). Much of this project was financed with a General Fund contribution and future property sale revenues.
- A \$3.1 million construction project was completed on Springwater Avenue during 2023. This project was largely grant funded.
- Almost \$4 million was spent on the Confluence Parkway/South End Pedestrian Bridge (INFRA grant) projects.
- The Sewer Utility fund is in the middle of constructing the Waste Water Treatment Plant Digester 4, which added \$7.6 million to this project’s \$15.9 million construction in progress. This is funded with a state loan and will be repaid with sewer utility rates.
- The Sewer utility also completed the construction of the Drying Bed Expansion project for \$2.9 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	26,266,128	25,066,128	2,756,361	2,756,361	29,022,489	27,822,489
Intangible Assets	-	-	4,410,679	4,508,071	4,410,679	4,508,071
Buildings	39,559,990	37,355,504	21,621,691	22,303,924	61,181,681	59,659,428
Improvements other than buildings	14,175,598	10,238,789	-	-	14,175,598	10,238,789
Machinery and equipment	7,808,187	6,678,188	508,812	580,073	8,316,999	7,258,261
Infrastructure	64,845,918	55,395,973	49,394,819	45,161,865	114,240,737	100,557,838
Construction in progress	11,416,921	6,882,723	18,584,336	9,919,148	30,001,257	16,801,871
<b>Total</b>	<b>164,072,742</b>	<b>141,617,305</b>	<b>97,276,698</b>	<b>85,229,442</b>	<b>261,349,440</b>	<b>226,846,747</b>

Additional information on the City’s capital assets can be found in Note 4.

**Long-term Debt.** At the end of the current fiscal year, the City of Wenatchee had bond and loan related long-term debt of \$55,095,969. Of this amount, \$19,717,206 is comprised of general obligation bonds issued by the City that are backed by the full faith and credit of the government; \$20,426,918 represents revenue bonds secured solely by utility revenue sources; and \$14,951,845 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 long-term debt increased by \$3,587,976 (7.0%) during the current fiscal year. The increase is due to the addition of state loans for the WWTP project, offset by the City's regular debt service payments.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	19,717,206	20,871,475	-	-	19,717,206	20,871,475
Revenue bonds	-	-	20,426,918	22,354,878	20,426,918	22,354,878
Loans	888,052	909,995	14,063,793	7,371,645	14,951,845	8,281,640
<b>Total</b>	<b>20,605,258</b>	<b>21,781,470</b>	<b>34,490,711</b>	<b>29,726,523</b>	<b>55,095,969</b>	<b>51,507,993</b>

Standard & Poor's assigned AA- bond ratings to all bond issued by the City of Wenatchee as of 12/31/2023 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 \$59 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*	76,985,481	51,323,654	128,309,135	128,309,135	384,927,405
Outstanding Indebtedness	(17,724,000)	0	0	0	(17,724,000)
<b>Margin Available</b>	<b>59,261,481</b>	<b>51,323,654</b>	<b>128,309,135</b>	<b>128,309,135</b>	<b>367,203,405</b>

\* Based upon the Chelan County Assessors 2022 assessment of property values for 2023 property taxes: \$5,132,365,419

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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business Activities	Total	Public Facilities District
<b>ASSETS</b>				
Cash and cash equivalents	15,247,018	15,815,353	31,062,371	27,251,908
Investments	14,017,762	16,037,475	30,055,237	-
Receivables (net)	10,062,745	2,220,448	12,283,193	2,879,409
Inventories	-	388,881	388,881	70,879
Prepaid expenses	-	30,000	30,000	144,367
Opioid Settlement Receivable	530,710	-	530,710	-
Assets Acquired for Resale	3,664,888	-	3,664,888	-
Leases Receivable	4,442,222	-	4,442,222	-
Net pension asset	7,532,669	1,190,377	8,723,046	-
Equity interest in joint venture	5,721,261	-	5,721,261	-
Capital assets not being depreciated:				-
Land	26,266,128	2,756,361	29,022,489	1,706,915
Intangible assets	-	3,944,906	3,944,906	41,254
Construction in progress	11,416,921	18,584,336	30,001,257	-
Capital assets, net of accumulated depreciation:				-
Buildings	39,559,990	21,621,691	61,181,681	20,161,984
Other improvements	14,175,598	-	14,175,598	-
Intangible assets	-	465,773	465,773	-
Machinery and equipment	7,808,187	508,812	8,316,999	932,926
Infrastructure	64,845,918	49,394,819	114,240,737	-
Total Assets	<u>225,292,018</u>	<u>132,959,232</u>	<u>358,251,250</u>	<u>53,189,642</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to asset retirement obligations	-	4,066,333	4,066,333	-
Related to pensions	4,347,465	1,023,913	5,371,378	-
Related to refunding	-	-	-	2,366,435
Total Deferred Outflow of Resources	<u>4,347,465</u>	<u>5,090,246</u>	<u>9,437,711</u>	<u>2,366,435</u>
<b>LIABILITIES</b>				
Current payables	4,278,846	2,622,349	6,901,195	491,291
Claims and judgements payable	100,519	-	100,519	-
Custodial	-	86,451	86,451	950,604
Accrued interest payable	-	80,154	80,154	326,491
Noncurrent liabilities				-
Due within one year	1,533,559	2,231,218	3,764,777	1,665,000
Due in more than one year	33,426,810	38,803,734	72,230,544	34,877,096
Total liabilities	<u>39,339,734</u>	<u>43,823,906</u>	<u>83,163,640</u>	<u>38,310,482</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to Leases	4,442,222	-	4,442,222	-
Related to pensions	2,715,675	649,792	3,365,467	-
Related to refunding	-	181,835	181,835	-
Total Deferred Inflow of Resources	<u>7,157,897</u>	<u>831,627</u>	<u>7,989,524</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	143,467,485	62,596,582	206,064,067	(12,933,857)
Restricted for:				
Capital projects	133,528	250,000	383,528	-
Debt service	-	2,922,134	2,922,134	22,420,310
Opioid Response	530,710	-	530,710	-
Pension	9,127,100	1,545,931	10,673,032	-
Unrestricted	29,883,028	26,079,298	55,962,326	7,759,142
Total net position	<u>183,141,851</u>	<u>93,393,945</u>	<u>276,535,796</u>	<u>17,245,595</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, 2023

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				Public Facilities District
<b>Governmental Activities</b>								
General government	3,914,991	1,897,376	1,227,095	-	(790,520)	-	(790,520)	-
Judicial	1,494,693	1,021,687	-	-	(473,006)	-	(473,006)	-
Public safety	12,478,413	264,560	525,722	-	(11,688,132)	-	(11,688,132)	-
Physical Environment	324,221	-	-	-	(324,221)	-	(324,221)	-
Transportation	7,676,627	276,848	799,732	9,964,709	3,364,662	-	3,364,662	-
Economic environment	5,731,646	1,273,066	-	-	(4,458,580)	-	(4,458,580)	-
Social Services	3,188,203	678,052	1,204,874	1,498,050	192,773	-	192,773	-
Culture and recreation	10,170,093	529,464	32,200	2,316,135	(7,292,294)	-	(7,292,294)	-
Interest on long-term debt	753,988	-	-	-	(753,988)	-	(753,988)	-
Total governmental activities	45,732,876	5,941,053	3,789,623	13,778,894	(22,223,306)	-	(22,223,306)	-
<b>Business Activities</b>								
Water	6,404,793	7,519,559	-	-	-	1,114,766	1,114,766	-
Sewer	8,691,438	11,431,198	-	-	-	2,739,760	2,739,760	-
Storm Drain	2,943,218	4,390,230	311,312	-	-	1,758,324	1,758,324	-
Regional Water	1,151,022	2,698,359	-	-	-	1,547,337	1,547,337	-
Cemetery	488,838	229,804	-	-	-	(259,034)	(259,034)	-
Total business type activities	19,679,309	26,269,150	311,312	-	-	6,901,153	6,901,153	-
Total Primary Government	65,412,185	32,210,203	4,100,935	13,778,894	(22,223,306)	6,901,153	(15,322,153)	-
<b>Component Units</b>								
Public Facilities District	8,727,263	3,677,573	-	9,052,061				4,002,371
Total Component Unit	8,727,263	3,677,573	-	9,052,061				4,002,371
<b>General Revenues:</b>								
Property Taxes					4,849,248	-	4,849,248	-
Sales Taxes					20,258,476	-	20,258,476	-
City Utility Taxes					9,082,449	-	9,082,449	-
Other Taxes					5,504,809	-	5,504,809	-
Unrestricted investment earnings					1,430,316	1,488,482	2,918,798	632,153
Transfers					(128,400)	128,400	-	-
Total general revenues					40,996,898	1,616,882	42,613,780	632,153
Change in net position					18,773,592	8,518,035	27,291,627	4,634,524
Net position beginning balance					164,368,259	84,875,910	249,244,169	12,611,071
Net position ending balance					183,141,851	93,393,945	276,535,796	17,245,595

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

**CITY OF WENATCHEE, WA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2023**

	<b>General</b>	<b>Arterial Streets</b>	<b>Economic Development Projects</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	4,108,118	-	47,002	7,958,402	12,113,522
Investments	5,223,600	-	48,089	5,566,228	10,837,917
Taxes Receivable	84,741	-	-	-	84,741
Accounts Receivable	566,704	-	-	226,274	792,978
Due from Other Funds	569,040	-	-	-	569,040
Intergovernmental	2,939,422	2,084,895	565,855	3,418,600	9,008,772
Interfund Loans Receivable	5,500,000	-	-	-	5,500,000
Opioid Settlement Receivable	530,710	-	-	-	530,710
Assets Acquired for Resale	-	-	3,664,888	-	3,664,888
Total assets	<u>19,522,335</u>	<u>2,084,895</u>	<u>4,325,834</u>	<u>17,169,504</u>	<u>43,102,568</u>
<b>LIABILITIES</b>					
Accounts Payable	550,566	374,531	186,652	2,817,774	3,929,523
Wages Payable	25,288	-	-	622	25,910
Due To Other Funds	-	171,177	-	397,863	569,040
Deposits Payable	23,099	-	-	191,293	214,392
Interfund Loans Payable	-	-	5,500,000	-	5,500,000
Total Liabilities	<u>598,953</u>	<u>545,708</u>	<u>5,686,652</u>	<u>3,407,552</u>	<u>10,238,865</u>
<b>DEFERRED INFLOWS of RESOURCES</b>					
Unavailable revenues:					
Property Taxes	62,370	-	-	-	62,370
Grant Reimbursements	-	442,407	-	-	442,407
Misc. Billings	253,983	-	-	438,853	692,836
Opioid Settlement	530,710	-	-	-	530,710
Total Deferred Inflows of Resources	<u>847,063</u>	<u>442,407</u>	<u>-</u>	<u>438,853</u>	<u>1,728,323</u>
<b>FUND BALANCE</b>					
Nonspendable	-	-	3,664,888	1,381,865	5,046,753
Restricted	1,231,919	-	-	8,911,912	10,143,831
Committed	180,777	-	-	1,791,137	1,971,914
Assigned	685,752	1,096,780	-	1,794,691	3,577,223
Unassigned	15,977,871	-	(5,025,706)	(556,506)	10,395,659
Total Fund Balances	<u>18,076,319</u>	<u>1,096,780</u>	<u>(1,360,818)</u>	<u>13,323,099</u>	<u>31,135,380</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>19,522,335</u>	<u>2,084,895</u>	<u>4,325,834</u>	<u>17,169,504</u>	<u>43,102,568</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, 2023**

Total Fund Balance Governmental Funds 31,135,380

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	185,407,422	
Less accumulated depreciation	(28,895,127)	
		156,512,295

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

Equity interest in joint venture	5,721,261
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Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property Taxes	62,370	
Grant Reimbursements	442,407	
Misc. Billings	692,836	
Opioid Settlement	530,710	
		1,728,323

Long term liabilities are not reported in the governmental funds.

Councilmanic Bonds Payable	(17,724,000)	
State Loans Payable	(888,052)	
Unamortized Bond Premium	(1,993,206)	
Employee Leave Benefits	(1,782,631)	
		(22,387,889)

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

OPEB Benefit for LEOFF	(10,216,198)	
Firemen's Pension	(1,069,291)	
Pension Related Debt	7,748,278	
		(3,537,211)

The Internal Service Funds' assets and liabilities are reported in the governmental funds. 13,969,692

Net position of governmental activities	183,141,851
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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, 2023**

	<u>General</u>	<u>Arterial Streets</u>	<u>Economic Development Projects</u>	<u>(Formerly major) New City Hall Remodel</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	28,986,315	-	-		10,697,645	39,683,960
Licenses and Permits	1,073,550	-	-		-	1,073,550
Intergovernmental	1,031,460	5,232,600	1,561,113		9,408,735	17,233,908
Charges for services	1,638,338	-	-		1,645,128	3,283,466
Fines and Forfeits	1,084,740	-	-		-	1,084,740
Investment earnings	638,572	104,738	13,198		673,808	1,430,316
Miscellaneous	218,854	4,999	26,301		413,104	663,258
<b>Total Revenues</b>	<u>34,671,829</u>	<u>5,342,337</u>	<u>1,600,612</u>	<u>-</u>	<u>22,838,420</u>	<u>64,453,198</u>
<b>EXPENDITURES</b>						
Current:						
General Government	7,457,485	-	-		-	7,457,485
Public Safety	12,456,875	-	-		2,275	12,459,150
Transportation	500,192	26,017	-		7,549,996	8,076,205
Natural and Economic Environment	3,154,263	-	12,651		2,366,055	5,532,969
Social Services	45,904	-	-		2,253,656	2,299,560
Culture and Recreation	3,778,702	-	-		3,461,311	7,240,013
Debt Service						
Principal Retirement	45,859		-		1,016,000	1,061,859
Interest and other charges	22,193		-		731,795	753,988
Capital Outlay	1,015,884	7,091,743	3,467,293		13,167,625	24,742,545
<b>Total Expenditures</b>	<u>28,477,357</u>	<u>7,117,760</u>	<u>3,479,944</u>	<u>-</u>	<u>30,548,713</u>	<u>69,623,774</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>6,194,472</u>	<u>(1,775,423)</u>	<u>(1,879,332)</u>	<u>-</u>	<u>(7,710,293)</u>	<u>(5,170,576)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	141,600	1,100,000	3,000,000		9,320,264	13,561,864
Transfers Out	<u>(11,187,208)</u>	<u>-</u>	<u>-</u>		<u>(3,713,203)</u>	<u>(14,900,411)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(11,045,608)</u>	<u>1,100,000</u>	<u>3,000,000</u>	<u>-</u>	<u>5,607,061</u>	<u>(1,338,547)</u>
Net Change in Fund Balance	(4,851,136)	(675,423)	1,120,668		(2,103,232)	(6,509,123)
Fund Balance January 1, as previously reported	<u>22,927,455</u>	<u>-</u>	<u>(2,481,486)</u>	<u>353,656</u>	<u>16,844,878</u>	<u>37,644,503</u>
Adjustment - changes from major to nonmajor fund	-	1,772,203	-	(353,656)	(1,418,547)	-
Fund Balances, January 1, as adjusted	22,927,455	1,772,203	(2,481,486)	-	15,426,331	37,644,503
Fund Balance December 31	<u>18,076,319</u>	<u>1,096,780</u>	<u>(1,360,818)</u>	<u>-</u>	<u>13,323,099</u>	<u>31,135,380</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, 2023**

Net change in fund balance - total governmental funds (6,509,123)

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	24,417,936	
Depreciation Expense	(2,527,714)	
		21,890,222

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

Increases in Property Taxes Receivable	11,022	
Increases in Grant and Misc. Billings	16,526	
Decrease in Opioid Settlement Receivable	(24,368)	
Increase in Joint Venture Equity Interest	234,526	
		237,706

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	(27,811)	
Bonds Paid	1,016,000	
State Loans Paid	49,755	
Amortization of bond premium	138,270	
		1,176,214

The Internal Service funds are used to support governmental activities.

The net revenue (expense) of these funds are reported in governmental activities. 1,079,917

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	(515,819)	
Decrease in Firemen's Pension liability	32,001	
Decrease in pension related debt	1,445,639	
		961,821

Increases in governmental fund compensated absences payable (63,165)

Change in net position of governmental activities. 18,773,592

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, 2023

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Taxes	27,011,100	27,011,100	28,986,315	1,975,215
Licenses & Permits	1,237,000	1,237,000	1,073,550	(163,450)
Intergovernmental	890,600	890,600	999,805	109,205
Charges for Services	1,378,000	1,378,000	1,630,438	252,438
Fines & Forfeits	868,500	868,500	1,008,853	140,353
Interest Earnings	105,000	105,000	472,944	367,944
Miscellaneous	86,000	112,800	218,620	105,820
<b>Total Revenues</b>	<u>31,576,200</u>	<u>31,603,000</u>	<u>34,390,525</u>	<u>2,787,525</u>
<b>EXPENDITURES</b>				
Current:				
General Government	8,530,250	7,920,540	7,457,485	463,055
Security of Persons & Property	11,674,520	11,906,760	11,903,067	3,693
Physical Environment	45,000	45,000	45,904	(904)
Transportation	770,000	770,000	500,192	269,808
Economic Environment	3,173,650	3,331,780	3,123,832	207,948
Culture & Recreation	3,692,460	4,188,910	3,778,702	410,208
Capital Outlay	863,000	1,663,000	1,015,884	647,116
Debt Service:				
Principal Retirement	46,230	46,230	45,859	371
Interest and other charges	22,640	22,640	22,193	447
<b>Total Expenditures</b>	<u>28,817,750</u>	<u>29,894,860</u>	<u>27,893,118</u>	<u>2,001,742</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,758,450</u>	<u>1,708,140</u>	<u>6,497,407</u>	<u>4,789,267</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	141,600	141,600	141,600	-
Transfers Out	(6,478,900)	(11,628,900)	(11,657,208)	(28,308)
<b>Total Other Financing Sources (Uses)</b>	<u>(6,337,300)</u>	<u>(11,487,300)</u>	<u>(11,515,608)</u>	<u>(28,308)</u>
Change in Fund Balance	(3,578,850)	(9,779,160)	(5,018,201)	4,760,959
Fund Balance January 1	6,266,750	4,746,650	19,463,654	14,717,004
Fund Balance December 31	<u>2,687,900</u>	<u>(5,032,510)</u>	<u>14,445,453</u>	<u>19,477,963</u>

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**  
**Arterial Street Fund**  
**For Fiscal Year Ended December 31, 2023**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Intergovernmental	5,770,080	7,026,650	5,232,600	(1,794,050)
Interest Earnings	10,000	10,000	104,738	94,738
Miscellaneous	-	-	4,999	4,999
Total Revenues	<u>5,780,080</u>	<u>7,036,650</u>	<u>5,342,337</u>	<u>(1,694,313)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	-	-	26,017	(26,017)
Capital Outlay	6,753,760	8,202,710	7,091,743	1,110,967
Total Expenditures	<u>6,753,760</u>	<u>8,202,710</u>	<u>7,117,760</u>	<u>1,084,950</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(973,680)</u>	<u>(1,166,060)</u>	<u>(1,775,423)</u>	<u>(609,363)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	600,000	600,000	1,100,000	500,000
Total Other Financing Sources (Uses)	<u>600,000</u>	<u>600,000</u>	<u>1,100,000</u>	<u>500,000</u>
Change in Fund Balance	(373,680)	(566,060)	(675,423)	(109,363)
Fund Balance January 1	500,000	500,000	1,772,203	1,272,203
Fund Balance December 31	<u>126,320</u>	<u>(66,060)</u>	<u>1,096,780</u>	<u>1,162,840</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, 2023**

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
<b>ASSETS</b>							
Current Assets							
Cash and cash equivalents	1,658,914	3,724,819	2,824,570	4,221,110	213,806	12,643,219	2,999,968
Investments	1,884,463	6,380,727	3,020,551	4,535,336	216,398	16,037,475	3,179,845
Accounts receivable	677,594	997,432	392,465	26,798	2,611	2,096,900	140,541
Intergovernmental receivable	750	-	41,672	81,126	-	123,548	35,713
Inventory of material and supplies	388,881	-	-	-	-	388,881	-
Prepaid expense	15,000	15,000	-	-	-	30,000	-
Cash - restricted for capital	-	-	-	250,000	-	250,000	133,528
<b>Total current assets</b>	<b>4,625,602</b>	<b>11,117,978</b>	<b>6,279,258</b>	<b>9,114,370</b>	<b>432,815</b>	<b>31,570,023</b>	<b>6,489,595</b>
Noncurrent Assets							
Cash - restricted for debt service	202,807	2,567,035	152,292	-	-	2,922,134	-
Leases receivable	-	-	-	-	-	-	4,442,222
Net pension asset	390,203	482,396	182,431	66,618	68,729	1,190,377	433,953
Capital assets							
Land	412,617	874,331	947,310	302,446	219,657	2,756,361	-
Buildings	4,672,886	34,327,632	2,442,079	2,623,394	433,606	44,499,597	-
Intangible	155,673	476,102	259,495	4,015,539	19,639	4,926,448	-
Machinery and equipment	1,614,628	343,844	27,278	276,707	-	2,262,457	13,394,792
Infrastructure	20,436,548	35,146,895	14,158,779	9,294,326	-	79,036,548	-
Construction in progress	294,635	17,518,221	771,480	-	-	18,584,336	81,208
Less accumulated depreciation	(11,542,215)	(30,027,277)	(3,804,688)	(9,158,181)	(256,688)	(54,789,049)	(5,915,553)
<b>Total noncurrent assets</b>	<b>16,637,782</b>	<b>61,709,179</b>	<b>15,136,456</b>	<b>7,420,849</b>	<b>484,943</b>	<b>101,389,209</b>	<b>12,436,622</b>
<b>Total Assets</b>	<b>21,263,384</b>	<b>72,827,157</b>	<b>21,415,714</b>	<b>16,535,219</b>	<b>917,758</b>	<b>132,959,232</b>	<b>18,926,217</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Related to asset retirement	273,750	3,262,583	530,000	-	-	4,066,333	-
Related to pensions	335,636	414,937	156,920	57,302	59,118	1,023,913	373,266
<b>Total Deferred Outflow of Resources</b>	<b>609,386</b>	<b>3,677,520</b>	<b>686,920</b>	<b>57,302</b>	<b>59,118</b>	<b>5,090,246</b>	<b>373,266</b>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	169,327	2,343,987	78,962	13,113	8,665	2,614,054	93,914
Wages and benefits payable	763	872	-	-	560	2,195	-
Deposits payable	6,100	-	-	-	-	6,100	15,107
Claims and judgements payable	-	-	-	-	-	-	100,519
Custodial	66,451	-	-	20,000	-	86,451	-
Accrued interest payable	6,141	66,441	7,572	-	-	80,154	-
Due to other governments - current	-	620,001	26,217	-	-	646,218	-
Revenue bonds payable - current	310,085	1,120,744	154,171	-	-	1,585,000	-
<b>Total current liabilities</b>	<b>558,867</b>	<b>4,152,045</b>	<b>266,922</b>	<b>33,113</b>	<b>9,225</b>	<b>5,020,172</b>	<b>209,540</b>
Noncurrent liabilities							
Due to other governments	-	13,050,532	367,042	-	-	13,417,574	-
Revenue bonds payable	1,702,421	15,911,264	1,228,232	-	-	18,841,917	-
Asset retirement obligations	500,000	4,000,000	1,000,000	-	-	5,500,000	-
Net pension liability	168,283	208,043	78,677	28,731	29,641	513,375	187,150
Compensated absences	214,152	189,327	17,899	48,742	60,748	530,868	253,998
<b>Total Non-current Liabilities</b>	<b>2,584,856</b>	<b>33,359,166</b>	<b>2,691,850</b>	<b>77,473</b>	<b>90,389</b>	<b>38,803,734</b>	<b>441,148</b>
<b>Total Liabilities</b>	<b>3,143,723</b>	<b>37,511,211</b>	<b>2,958,772</b>	<b>110,586</b>	<b>99,614</b>	<b>43,823,906</b>	<b>650,688</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Related to Leases	-	-	-	-	-	-	4,442,222
Related to Pensions	213,000	263,326	99,584	36,365	37,517	649,792	236,881
Related to Refunding	32,003	112,701	37,131	-	-	181,835	-
<b>Total Deferred Inflow of Resources</b>	<b>245,003</b>	<b>376,027</b>	<b>136,715</b>	<b>36,365</b>	<b>37,517</b>	<b>831,627</b>	<b>4,679,103</b>
<b>NET POSITION</b>							
Net Invested in Capital Assets	14,000,263	27,844,506	12,981,368	7,354,231	416,214	62,596,582	7,560,447
Restricted	709,560	3,193,518	389,214	336,517	89,257	4,718,066	563,569
Unrestricted	3,774,221	7,579,415	5,636,565	8,754,822	334,274	26,079,297	5,845,676
<b>Total Net Position</b>	<b>18,484,044</b>	<b>38,617,439</b>	<b>19,007,147</b>	<b>16,445,570</b>	<b>839,745</b>	<b>93,393,945</b>	<b>13,969,692</b>

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, 2023**

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES:</b>							
Residential Utility Sales	4,174,738	4,228,486	1,679,020	-	-	10,082,244	-
Commercial/Industrial Utility Sales	3,234,203	6,618,852	2,606,410	2,464,005	-	14,923,470	-
Connection Fees	17,197	342,879	-	-	-	360,076	-
Charges for Services	93,421	227,540	84,314	-	227,649	632,924	6,217,620
Intergovernmental	-	-	-	-	-	-	300,094
Miscellaneous	-	13,441	20,486	234,354	2,155	270,436	245,964
Total Operating Revenues	7,519,559	11,431,198	4,390,230	2,698,359	229,804	26,269,150	6,763,678
<b>OPERATING EXPENSES:</b>							
Operations and Maintenance	3,129,867	3,436,703	1,478,762	735,129	478,894	9,259,355	5,876,529
Payment of Premiums	-	-	-	-	-	-	949,312
General Administration	2,726,379	3,542,131	1,045,627	-	-	7,314,137	-
Depreciation	507,062	1,151,816	392,926	415,893	9,944	2,477,641	670,739
Total Operating Expenses	6,363,308	8,130,650	2,917,315	1,151,022	488,838	19,051,133	7,496,580
Operating Income (Loss)	1,156,251	3,300,548	1,472,915	1,547,337	(259,034)	7,218,017	(732,902)
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Interest Income	154,770	737,132	237,190	339,500	19,890	1,488,482	275,376
Debt Interest & Related Charges	(41,485)	(560,788)	(25,903)	-	-	(628,176)	-
Grant Revenue	-	-	311,312	-	-	311,312	-
Insurance Recoveries	-	-	-	-	-	-	314,560
Gain (Loss) on Capital Assets	-	-	-	-	-	-	12,734
Non-Operating Revenues (Expenses)	113,285	176,344	522,599	339,500	19,890	1,171,618	602,670
<b>Net Income Before Transfers and Contributions</b>	1,269,536	3,476,892	1,995,514	1,886,837	(239,144)	8,389,635	(130,232)
Transfers In	-	-	-	-	270,000	270,000	1,210,149
Transfers Out	(39,600)	(89,100)	(12,900)	-	-	(141,600)	-
Capital Contributions	-	-	-	-	-	-	-
Change in Net Position	1,229,936	3,387,792	1,982,614	1,886,837	30,856	8,518,035	1,079,917
Net Position January 1	17,254,108	35,229,647	17,024,533	14,558,733	808,889	84,875,910	12,889,775
Net Position December 31	18,484,044	38,617,439	19,007,147	16,445,570	839,745	93,393,945	13,969,692

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, 2023

	WATER	SEWER	STORM DRAIN	REGIONAL WATER	OTHER ENTERPRISE	TOTAL ENTERPRISE	INTERNAL SERVICE FUNDS
<b>Cash Flows from Operating Activities:</b>							
Cash received from customers	7,394,968	11,185,750	4,289,825	2,443,450	238,915	25,552,908	6,153,794
Cash payments to vendors	(4,069,237)	(3,804,491)	(1,827,164)	(460,500)	(153,258)	(10,314,650)	(4,950,366)
Cash payments to employees	(1,938,227)	(2,337,018)	(931,112)	(313,975)	(350,487)	(5,870,819)	(2,089,983)
Other operating revenues	-	13,442	20,486	234,355	2,155	270,438	546,055
Net cash provided by operating activities	1,387,504	5,057,683	1,552,035	1,903,330	(262,675)	9,637,877	(340,500)
<b>Cash Flows From Noncapital Financing Activities:</b>							
Transfers from other funds	-	-	-	-	270,000	270,000	1,210,149
Transfers to other funds	(39,600)	(89,100)	(12,900)	-	-	(141,600)	-
Net cash provided by noncapital financing	(39,600)	(89,100)	(12,900)	-	270,000	128,400	1,210,149
<b>Cash Flows From Capital and Related Financing Activities:</b>							
Acquisition and construction of capital assets	(436,224)	(12,815,638)	(1,273,033)	-	-	(14,524,895)	(339,172)
Proceeds from bond issuance	-	-	-	-	-	-	-
Principal repayment on revenue bonds	(369,040)	(1,368,622)	(216,588)	-	-	(1,954,250)	-
Interest and related costs paid on revenue bonds	(41,485)	(536,392)	(19,291)	-	-	(597,168)	-
Proceeds from construction loans issued	-	7,270,801	-	-	-	7,270,801	-
Repayment of construction loans	-	(556,591)	(22,062)	-	-	(578,653)	-
Interest and related costs on construction loans	-	(24,396)	(6,612)	-	-	(31,008)	-
Insurance Recoveries	-	-	-	-	-	-	314,560
Grant proceeds	-	-	1,592,418	-	-	1,592,418	-
Proceeds from sale of equipment	-	-	-	-	-	-	(885,605)
Net cash used for capital and related financing	(846,749)	(8,030,838)	54,832	-	-	(8,822,755)	(910,217)
<b>Cash Flows From Investing Activities:</b>							
Maturity of investments	353,800	1,705,925	484,300	774,300	46,400	3,364,725	679,325
Purchase of investments	(833,777)	(1,314,611)	(1,582,317)	(2,235,883)	(78,604)	(6,045,192)	(1,162,443)
Interest on investments	154,770	737,132	237,190	339,500	19,890	1,488,482	275,376
Net cash provided(used) in investing activities	(325,207)	1,128,446	(860,827)	(1,122,083)	(12,314)	(1,191,985)	(207,742)
Net increase (decrease) in cash and cash equivalents	175,948	(1,933,809)	733,140	781,247	(4,989)	(248,463)	(248,310)
Cash and cash equivalents at beginning of year	1,685,773	8,225,663	2,243,722	3,689,863	218,795	16,063,816	3,381,806
Cash and cash equivalents at end of year	1,861,721	6,291,854	2,976,862	4,471,110	213,806	15,815,353	3,133,496
<b>Cash at the End of the Year Consists of</b>							
Cash and Cash Equivalents	1,658,914	3,724,819	2,824,570	4,221,110	213,806	12,643,219	2,999,968
Cash Restricted for Debt Service and Capital	202,807	2,567,035	152,292	250,000	-	3,172,134	133,528
	1,861,721	6,291,854	2,976,862	4,471,110	213,806	15,815,353	3,133,496
<b>Reconciliation of Operating Income to net cash provided (used) by operating activities</b>							
Operating Income (Loss)	1,156,251	3,300,548	1,472,915	1,547,337	(259,034)	7,218,017	(732,902)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>							
Depreciation	507,062	1,151,816	392,926	415,893	9,944	2,477,641	670,739
Change in assets and liabilities:							
(Increase) Decrease Accounts Receivable	(123,741)	(232,007)	(79,919)	(26,798)	11,266	(451,199)	(61,718)
(Increase) Decrease Due From Other Governments	(750)	-	-	6,243	-	5,493	-
(Increase) Decrease Due From Other Funds	-	-	-	-	-	-	(2,107)
(Increase) Decrease Inventory	(28,881)	-	-	-	-	(28,881)	(23,381)
(Increase) Decrease Asset Retirement Activities	5,000	40,000	10,000	-	-	55,000	-
Increase (Decrease) Accounts Payable	61,130	998,315	(148,198)	(11,289)	3,940	903,898	-
Increase (Decrease) Wages Payable	763	871	-	-	489	2,123	(3,556)
Increase (Decrease) Retainage Payable	(10,210)	-	-	-	-	(10,210)	-
Increase (Decrease) Customer Deposits Payable	(100)	-	-	-	-	(100)	-
Increase (Decrease) Pension Activities	(173,487)	(219,260)	(77,130)	(27,192)	(32,327)	(529,396)	(192,281)
Increase (Decrease) Accrued Employee Leave	(5,533)	17,400	(18,559)	(864)	3,047	(4,509)	4,706
Total Adjustments	231,253	1,757,135	79,120	355,993	(3,641)	2,419,860	392,402
Net Cash Provided by Operating Activities	1,387,504	5,057,683	1,552,035	1,903,330	(262,675)	9,637,877	(340,500)
<b>Noncash Investing, Capital, and Financing Activities</b>							
Increase (decrease) in fair value of investments	(52,322)	(177,162)	(83,866)	(125,924)	(6,008)	(445,282)	(88,289)

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

**CITY OF WENATCHEE, WASHINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2023**

**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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**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: \$1,670,267 Rainy Day Fund; \$273,899 LEOFF Long Term Care Fund; \$411,853 LEOFF Retiree Health Insurance Fund; \$180,777 Abatement Fund; and \$1,094,070 Firemen's Pension Fund. The consolidation process eliminates transfers between funds and adds the revenues and expenditures to the General Fund's balances.
- The **Arterial Street Fund** is a special revenue fund that accounts for grant revenues and matching requirements for significant street construction projects. Most of the revenues come from State and Federal grants and the matching requirements are funded by transfers from the General Fund.
- The **Economic Development Capital Projects Fund** accounts for major capital projects undertaken by the City to promote Economic Development. The purchase and sale of properties in North Wenatchee were significant transactions that made this fund a major fund. Industrial properties in North Wenatchee have been purchased to redevelop an area that suffered damage in a prior year fire. These properties will have new roads constructed and sold to promote mixed use zoning.

The 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		Adjustments				General Fund GAAP Basis
			LEOFF				
	Basis	Rainy Day	LEOFF LT Care	Retiree Health	Abatement	Firemen's Pension	
Revenues	34,390,525	76,663	10,996	18,212	89,563	85,870	34,671,829
Expenditures	27,893,118	-	168,337	285,110	30,431	100,361	28,477,357
Other Fin. Sources (Uses)	(11,515,608)	-	200,000	300,000	-	(30,000)	(11,045,608)
Change in Fund Balance	(5,018,201)	76,663	42,659	33,102	59,132	(44,491)	(4,851,136)

**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 2023 the budget was amended three times 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

- The Economic Development Projects Capital Fund has a deficit fund balance of \$1,360,818 at December 31, 2023. 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.
- Community Development Block Grant (CDBG) Entitlement Fund (a nonmajor special revenue fund) has a deficit fund balance of \$277,383 at December 31, 2023. The deficit was a result of the City expending grant financed projects that were not reimbursed within 60 days of year-end.
- General Capital Projects Fund (a nonmajor capital projects fund) has a deficit fund balance of \$269,102 at December 31, 2023. The deficit was a result of the City expending grant financed projects that were not reimbursed within 60 days of year-end.
- The Convention Center Renovation Fund (a nonmajor capital projects fund) has a deficit fund balance of \$10,021 at December 31, 2023. The deficit was a result of the City expending project costs prior to receiving bond proceeds that will reimburse the deficit fund balance.

## 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, 2023, the state treasurer was holding \$31,082,448 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 2, 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 3).
- 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.

### 4. Amounts Due to and from Other Funds and Governments and Interfund Loans

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 11.

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 2023 that will be recognized as a tax credit in 2024.

## 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:	\$ 250,000
Cash – restricted for debt service:	\$2,922,134

## 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. Leases – Accounting Policy

Lessor. When the City is a lessor in noncancelable lease arrangements, the City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund, and governmental fund financial statements. See Note 5 for details of the City's leasing arrangements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable and is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate used to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any likely extensions.
- Lease receipts included in the measurement of the lease receivable is based on the contractual payment plans, which could include estimated increases based on a stated consumer price index (CPI).

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lessee. The City is not a lessee in any significant contracts.

## 9. 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.

## 10. 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.

## 11. 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.

## 12. Long-term Debt - See Note 9

## 13. Unavailable Revenues

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

## 14. 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 City'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.

The following is a description of restrictions placed on the various fund balances in 2023:

	General	Arterial Streets	Economic Development	Non-Major Funds
<b>Nonspendable</b>				
Economic Development	-	-	3,664,888	-
Cemetery Endowment	-	-	-	1,381,865
<b>Restricted</b>				
Employee benefits	27,505	-	-	-
Firemen's Pension	1,094,070	-	-	-
Construction contracts	8,000	-	-	-
Law enforcement operations	30,420	-	-	-
Opioid treatment and prevention	71,924	-	-	-
Streets, sidewalks, transportation	-	-	-	2,208,320
Hotel/motel & convention	-	-	-	2,814,627
Low income assistance programs	-	-	-	2,540,954
Local revitalization district	-	-	-	1,348,011
	<u>1,231,919</u>	<u>-</u>	<u>-</u>	<u>8,911,912</u>
<b>Committed</b>				
Code enforcement	180,777	-	-	-
Public art	-	-	-	340,430
Streets, sidewalks, transportation	-	-	-	1,431,130
LTGO debt	-	-	-	19,577
	<u>180,777</u>	<u>-</u>	<u>-</u>	<u>1,791,137</u>
<b>Assigned</b>				
LEOFF retiree health	685,752	-	-	-
Streets, sidewalks, transportation	-	1,096,780	-	630,831
Park capital projects	-	-	-	1,163,860
	<u>685,752</u>	<u>1,096,780</u>	<u>-</u>	<u>1,794,691</u>
Unassigned	15,977,871	-	(5,025,706)	(556,506)
<b>Total fund balance</b>	<u><u>18,076,319</u></u>	<u><u>1,096,780</u></u>	<u><u>(1,360,818)</u></u>	<u><u>13,323,099</u></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

#### 15. Implementation of GASB Statement No. 100 Accounting Changes and Error Corrections

The City implemented GASB Statement No. 100, Accounting Changes and Error Corrections ("GASB 100") during the fiscal year ended December 31, 2023. GASB 100 requires that changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. See note 15.

## **NOTE 2. DEPOSITS AND INVESTMENTS**

### **A. DEPOSITS**

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. The State Treasurer's Office invests the City's 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.

As of December 31, 2023, the City has the following investments and maturities.

Investment Type	Fair Value	Investment Maturity (Years)		Credit Rating
		Less than 1	1 to 5	
Local Government Investment Pool	31,082,448	31,082,448		Not Rated
Separately Managed Portfolio	30,055,237		30,055,237	Not Rated
	61,137,685	31,082,448	30,055,237	

### 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, 2023, the City had the following investments measured at fair value:

Fair Value Measurement Using:  Investment by Fair Value Level	Significant Other Observable Inputs	
	12/31/2023	(Level 2)
Separately Managed Portfolio	30,055,237	30,055,237
	30,055,237	30,055,237
<b>Investment Measured at Amortized Cost</b>		
Local Government Investment Pool (LGIP)	31,082,448	
Total Investments	61,137,685	

**NOTE 3. 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 2023 was \$0.94715 per \$1,000 on an assessed valuation of \$5,132,365,419 for a total levy of \$4,861,102. 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 Regular Levy Purposed	Assessed Value Bond Levy Purposes
2023	0.94715	-	4,861,102	N/A	5,132,365,419	N/A
2022	1.07656	-	4,739,922	N/A	4,402,820,511	N/A
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

**NOTE 4. CAPITAL ASSETS**

Government-wide capital asset activity for the year ended December 31, 2023 was as follows:

<b>Governmental Activities</b>	Beginning			Ending
	Balance	Additions	Deletions	Balance
Capital assets not being depreciated:				
Land	25,066,128	1,200,000	-	26,266,128
Construction in progress	6,882,723	10,840,612	6,306,414	11,416,921
Total capital assets not being depreciated	31,948,851	12,040,612	6,306,414	37,683,049
Capital assets being depreciated:				
Buildings	51,349,180	3,441,843	-	54,791,023
Improvements other than buildings	12,947,269	4,563,948	-	17,511,217
Machinery and equipment	13,038,479	2,015,793	1,078,965	13,975,307
Infrastructure	64,814,536	10,108,290	-	74,922,826
Total capital assets being depreciated	142,149,464	20,129,874	1,078,965	161,200,373
Less accumulated depreciation for:				
Buildings	13,993,676	1,237,357	-	15,231,033
Improvements other than buildings	2,708,480	627,139	-	3,335,619
Machinery and equipment	6,360,291	687,426	880,597	6,167,120
Infrastructure	9,418,563	658,345	-	10,076,908
Total accumulated depreciation	32,481,010	3,210,267	880,597	34,810,680
Total capital assets being depreciated, net	109,668,454	16,919,607	198,368	126,389,693
Governmental activities capital assets, net	141,617,305	28,960,219	6,504,782	164,072,742

Depreciation was charged to governmental activities as follows:

General government	1,346,661
Public safety	183,964
Culture and recreation	1,010,306
Infrastructure	669,336
Total depreciation expense governmental activities	3,210,267

<b>Business-Type Activities</b>	Beginning			Ending
	Balance	Additions	Deletions	Balance
Capital assets not being depreciated:				
Land	2,756,361	-	-	2,756,361
Construction in progress	9,919,148	9,891,846	1,226,658	18,584,336
Intangible assets	3,944,906	-	-	3,944,906
Total capital assets not being depreciated	16,620,415	9,891,846	1,226,658	25,285,603
Capital assets being depreciated:				
Buildings	44,499,597	-	-	44,499,597
Intangible	981,542	-	-	981,542
Machinery and equipment	2,262,457	-	-	2,262,457
Infrastructure	73,176,839	5,859,709	-	79,036,548
Total capital assets being depreciated	120,920,435	5,859,709	-	126,780,144
Less accumulated depreciation for:				
Buildings	22,195,673	682,233	-	22,877,906
Intangible	418,377	97,392	-	515,769
Machinery and equipment	1,682,384	71,261	-	1,753,645
Infrastructure	28,014,974	1,626,755	-	29,641,729
Total accumulated depreciation	52,311,408	2,477,641	-	54,789,049
Total capital assets being depreciated, net	68,609,027	3,382,068	-	71,991,095
Business-type activities capital assets, net	85,229,442	13,273,914	1,226,658	97,276,698

Depreciation was charged against business-type activities as follows:

Water	507,063
Sewer	1,151,816
Storm Drain	392,925
Regional Water	415,893
Cemetery	9,944
Total depreciation expense business-type activities	2,477,641



**NOTE 5. LEASE AGREEMENTS**

The City is a lessor in noncancelable lease agreements for certain facilities and properties. The present value of future minimum lease payments as of December 31, 2023 is recorded as a lease receivable in the government-wide and fund financial statements. Inflows of resources from lease agreements which are included in the measurement of the lease receivable balance as of December 31, 2023 are as follows:

	2023			12/31/2023
	Lease Revenue	Interest Revenue	Total Inflows of Resources	Lease Receivable
Pinnacles Prep Charter School	35,039	4,494	39,533	641,828
Social Security	135,329	27,971	163,300	1,742,804
Bureau of Reclamation	12,031	3,724	15,755	212,525
American Behavioral Health Systems	88,833	11,427	100,260	824,038
Chelan-Douglas Child Services Association	13,040	184	13,224	25,202
Cascadia Conservation District	6,754	8,246	15,000	995,826
	291,026	56,046	347,072	4,442,222

**Pinnacles Prep Charter School**

Beginning January 1, 2021, the City entered into a 6-year lease agreement with Pinnacles Prep Charter School for the lease of the facility formerly referred to as the Community Center. The lease agreement provides renewal options in six-year incremental terms. It is reasonably certain that the renewal option will be extended for at least two terms. The initial lease payment was set at \$3,000 per month, with annual increases based on a consumer price index.

**Social Security**

Beginning in September 2020, the City entered into a 17.5-year lease agreement with the United State of America, General Services Administration, to lease a portion of the new City Hall facility to the Bureau of Reclamation. The lease payment is \$13,608 per month.

**Bureau of Reclamation**

Beginning in January 2021, the City entered into a 10-year lease agreement with the United State of America, General Services Administration, to lease the former City Hall facility to the Social Security Department. The lease agreement provides one 5-year renewal option that is reasonably certain to be exercised. For 8/1/2022 – 7/31/2030, the monthly lease payment is \$1,313. For 8/1/2030 – 7/31/2038, the monthly lease payment is \$1,427.

**American Behavioral Health Systems**

Beginning in January 2019, the City entered into an amended lease agreement for three years with American Behavioral Health Systems for the operation of the Parkside facility. The lease agreement provides two 5-year extension options. One extension has been exercised and it is reasonably certain that the second extension will be exercised as well. The initial lease payment was \$7,000 per month and increased to \$8,355 per month as of 1/1/2022. The lease payment under the third extension is subject to a consumer price index adjustment.

**Chelan Douglas Child Services Association**

Beginning in November 2020, the City entered into an amended lease agreement for 5 years with Chelan-Douglas Child Services Association for the operation of the Head Start facility. The lease payment is \$1,102 per month.

**Cascadia Conservation District**

Beginning October 1, 2023, the City entered into a 10-year lease agreement with Cascadia Conservation District for the lease of a portion of the Public Services Center facility. The lease agreement provides a renewal option with no set term. It is reasonably certain that the renewal option will be extended for at least ten years. The initial lease payment was set at \$5,000 per month, with annual increases based on a consumer price index.

**NOTE 6. PENSION PLANS – STATE SPONSORED**

The following table represents the aggregate pension amounts for all state sponsored plans for the year 2023:

Aggregate Pension Amount -State Sponsored Plans	
Pension liabilities	\$ 1,546,368
Pension assets	8,723,046
Deferred outflows of resources	5,371,378
Deferred inflows of resources	3,365,467
Pension expense/expenditures	(451,647)

**A. PLAN DESCRIPTIONS**

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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.

**1. PERS Plan 1**

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1								
Actual Contribution Rates:	Employer	Employee	Actual Contribution Rates:	Employer	Employee	Actual Contribution Rates:	Employer	Employee
January - June 2023			July - August 2023			September - December 2023		
PERS Plan 1	6.36%	6.00%	PERS Plan 1	6.36%	6.00%	PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%		PERS Plan 1 UAAL	2.85%		PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.18%		Administrative Fee	0.18%		Administrative Fee	0.20%	
Total	10.39%	6.00%	Total	9.39%	6.00%	Total	9.53%	6.00%

**2. PERS Plan 2/3**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member’s AFC times the member’s years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3								
Actual Contribution Rates:	Employer 2/3	Employee 2	Actual Contribution Rates:	Employer 2/3	Employee 2	Actual Contribution Rates:	Employer 2/3	Employee 2
January - June 2023			July - August 2023			September - December 2023		
PERS Plan 2/3	6.36%	6.36%	PERS Plan 2/3	6.36%	6.36%	PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%		PERS Plan 1 UAAL	2.85%		PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.18%		Administrative Fee	0.18%		Administrative Fee	0.20%	
Employee PERS Plan 3		varies	Employee PERS Plan 3		varies	Employee PERS Plan 3		varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>	<b>Total</b>	<b>9.39%</b>	<b>6.36%</b>	<b>Total</b>	<b>9.53%</b>	<b>6.36%</b>

The city’s actual PERS plan contributions were \$432,877 to PERS Plan 1 and \$812,812 to PERS Plan 2/3 for the year ended December 31, 2023.

**3. Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)**

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state’s full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

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-paid consecutive 24 months’ 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 a COLA. 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 0%, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the FAS per year of service (the FAS is based on the highest-paid 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 – 52, the reduction is 3% 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 a COLA (based on the CPI), capped at 3% annually. 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 rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

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 2023.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

LEOFF Plan 2					
Actual Contribution Rates:	Employer	Employee	Actual Contribution Rates:	Employer	Employee
January - August 2023			September - December 2023		
State and local governments	5.12%	8.53%	State and local governments	5.12%	8.53%
Administrative Fee	0.18%		Administrative Fee	0.20%	
<b>Total</b>	<b>5.30%</b>	<b>8.53%</b>	<b>Total</b>	<b>5.32%</b>	<b>8.53%</b>

The city’s actual contributions to the plan were \$290,498 for the year ended December 31, 2023.

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 Office of the State Actuary 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, 2023, the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$179,488.

**B. ACTUARIAL ASSUMPTIONS**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- Investment rate of return: 7.00%

Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. 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 their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

**C. DISCOUNT RATE**

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

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 7.0% was used to determine the total liability.

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

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) 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**

The table below summarizes the 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, 2023. The inflation component used to create the table is 2.2% 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

**F. SENSITIVITY OF THE NET PENSION LIABILITY / (ASSET)**

The table below presents the city’s proportionate share of the net pension liability calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	\$ 2,160,393	\$ 1,546,368	\$ 1,010,469
PERS 2/3	3,899,780	(3,585,610)	(9,735,331)
LEOFF 1	(1,906,975)	(2,150,630)	(2,361,916)
LEOFF 2	494,534	(2,986,806)	(5,835,985)

**G. PENSION PLAN FIDUCIARY NET POSITION**

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

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

**1. Liability (Asset)**

At June 30, 2023, the city reported a pension asset of \$8,723,046 and a pension liability of \$1,546,368 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,546,368
PERS 2/3	(3,585,610)
LEOFF 1	(2,150,630)
LEOFF 2	(2,986,806)

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	\$ (2,150,630)	\$ (2,986,806)
State’s proportionate share of the net pension asset associated with the employer	(14,546,809)	(1,907,344)
TOTAL	\$ (16,697,439)	\$ (4,894,150)

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

	Proportionate Share 6/30/2022	Proportionate Share 6/30/2023	Change in Proportion
PERS 1	0.066521 %	0.067742 %	0.001221 %
PERS 2/3	0.086528	0.087482	0.000954
LEOFF 1	0.076763	0.072460	-0.004303
LEOFF 2	0.117266	0.124523	0.007257

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). 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 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

## 2. Pension Expense

For the year ended December 31, 2023, the city recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 23,268
PERS 2/3	(351,418)
LEOFF 1	(80,944)
LEOFF 2	(42,554)

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

At December 31, 2023, 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	\$ (174,437)
Contributions subsequent to the measurement date	\$ 230,361	\$ 0
Total	\$ 230,361	\$ (174,437)

PERS 2/3	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 730,385	\$ (40,062)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (1,351,275)
Change of assumptions	\$ 1,505,363	\$ (328,110)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 139,811	\$ (63,395)
Contributions subsequent to the measurement date	\$ 478,266	\$ 0
Total	\$ 2,853,825	\$ (1,782,841)

LEOFF 1	Deferred Outflows	Deferred Inflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (142,607)
Total	\$ 0	\$ (142,607)

LEOFF 2	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 1,220,026	\$ (24,573)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (632,002)
Change of assumptions	\$ 762,969	\$ (245,342)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 131,560	\$ (363,665)
Contributions subsequent to the measurement date	\$ 172,637	\$
Total	\$ 2,287,191	\$ (1,265,582)

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, 2024. 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
2024	(118,680)	(570,120)	(97,776)	(269,564)
2025	(149,254)	(753,781)	(122,696)	(371,624)
2026	92,027	1,114,933	76,113	527,707
2027	1,469	395,279	1,753	171,875
2028	0	394,488	0	181,896
Thereafter	0	11,917	0	608,681

## **NOTE 7. FIREMEN'S PENSION**

### **A. PLAN DESCRIPTION**

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. 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, 2023, there were a total of 9 retirees or beneficiaries eligible for retirement benefits. Of these 9, the State of Washington pays 2, the City pays 2, and the City and State share the cost of the remaining 5.

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, 2022 with a measurement date of December 31, 2023. 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, 2023, the General Fund reported restricted net position of \$1,094,070 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**

The Firemen’s Pension’s actuarial assumptions used in the January 1, 2022 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, 2022. Measurement date: December 31, 2023. Actuarial cost method: entry age normal. Inflation rate: 2.50%. Projected salary increases: 3.50%. Mortality rates were based on the Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017. 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**

The discount rate of 3.25 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 3.26 percent as of December 28, 2023. Rounding to the nearest ¼ percent results in a discount rate of 3.25 percent. Using 3.25 percent for both the long-term expected rate of return and the bond index will mean that 3.25% could be used as the single discount rate.

**D. SENSITIVITY OF NET PENSION LIABILITY**

The following table presents the net pension liability for the City, calculated using the discount rate of 3.25 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 (2.25%) or 1 percentage point higher (4.25%) than the current rate.

	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
Total pension liability	\$ 1,144,993	\$ 1,069,291	\$ 1,001,889

**E. PENSION PLAN FIDUCIARY NET POSITION**

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, 2023, was \$1,069,291. There was no covered payroll.

<b>Change in Total Pension Liability</b>	
Balance as of December 31, 2022	\$ 1,101,292
Changes for the year:	
Interest on total pension liability	39,329
Effect of assumptions changes or inputs	34,661
Benefit payments	(105,991)
Balances as of December 31, 2023	1,069,291



**F. PENSION LIABILITIES (ASSETS), PENSION EXPENSE, AND DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

**1. Liability**

At June 30, 2023, the city reported a pension liability of \$1,069,291 for the Firemen's Pension.

**2. Pension Expense**

For the year ended December 31, 2023, the city recognized pension expense of \$42,335 for the Firemen's Pension.

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

There were no deferred inflows or outflows for the Firemen's Pension Fund as of December 31, 2023.

**NOTE 8. 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, 2023, 264 cities/towns/non-city entities participate and have enrollment 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, Willamette Dental Group, 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 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. 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 a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 169 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall. An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

**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, 2023, the City had accrued the following amounts for outstanding claims:

Incurred/ Reported	Incurred but not Reported	Total Claims Payable
519	100,000	100,519

The following schedule presents changes in claims liabilities:

	Property & Casualty	
	2023	2022
Claims liabilities, January 1	113,359	183,101
Claims and operating expenses:		
Incurred during current year	175,828	174,308
Paid	(188,668)	(244,049)
Claims liabilities, December 31	100,519	113,359

**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. 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.

**3. 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 12/31/2023 the City had drawn a total of \$695,099, of which \$208,363 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	399,318
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	877,290
CERB Loan, Development Projects	2020 - 2039	2.50%	859,409	55,866
PWTF Loan, Development Projects	2019 - 2038	1.66%	208,363	12,710

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
2024	1,053,000	699,239	37,136	18,730	11,223	2,744
2025	1,095,000	665,567	38,064	17,801	11,223	2,608
2026	1,143,000	623,663	39,016	16,850	11,223	2,422
2027	1,158,000	576,998	39,991	15,874	11,223	2,236
2028-2032	5,155,000	2,259,000	215,463	63,865	56,116	8,384
2033-2037	6,260,000	1,143,200	243,777	35,551	56,116	3,726
2038-2039	1,860,000	112,400	106,256	5,475	11,223	186
	17,724,000	6,080,066	719,704	174,146	168,348	22,306

As of December 31, 2023, the city has \$19,577 available in debt service funds to service the general bonded debt. Cash is transferred to the debt service funds throughout the year to make the June 1<sup>st</sup> and December 1<sup>st</sup> debt service payments.

## B. REVENUE BONDS AND LOANS

### 1. 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.

### 2. 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.

### 3. Washington Department of Ecology – 2007 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.

### 4. Washington Department of Ecology

2022 State Revolving Fund (SRF) Loan – The City was the recipient of a low interest loan (1.6% over 30 years) from the State Department of Ecology in 2022 and the proceeds are being used to upgrade the wastewater treatment plant that is part of the City's Sewer Utility enterprise fund. The City was awarded \$16,096,586, but has only drawn \$11,258,940 as of 12/31/2023. The debt repayment schedule will not be known until the project is completed in 2024. Therefore, the future debt payments have not been included in the revenue debt service requirements to maturity schedule below.

**5. 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.

**6. 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 12/31/2022 the City had drawn a total of \$695,099, 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
2022 State Revolving Fund (SRF) Loan, Sewer Improvements *	2024 - 2054	1.60%	11,258,940	unknown
2007 State Revolving Fund (SRF) Loan, Sewer Improvements	2007 - 2026	1.50%	7,391,665	440,000
2018 Public Works Trust Fund Loan, Stormwater	2019 - 2038	1.66%	486,736	25,777
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

\* this loan is authorized up to \$16,096,586, and has not been fully drawn. Debt service amounts are unknown until 2024.

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
2024	1,585,000	800,550	422,121	17,762	166,968	9,225
2025	1,655,000	736,400	428,496	11,387	166,968	8,556
2026	1,705,000	680,450	434,968	4,915	166,968	7,769
2027	1,780,000	606,300			166,968	6,982
2028-2032	6,180,000	1,976,850			694,090	23,103
2033-2037	4,330,000	888,400			131,086	8,704
2038-2039	995,000	49,750			26,219	435
	18,230,000	5,738,700	1,285,585	34,064	1,519,267	64,775

As of December 31, 2023, restricted assets in the proprietary funds contain \$2,922,134 in sinking funds and reserves as required by bond indentures.

**C. EMPLOYEE LEAVE BENEFITS**

Compensated absences account for the underlying liability related to the accumulation of accrued vacation and sick leave.

**D. 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, 2023 Standard & Poor’s rates the City as AA- for both revenue bonds and UTGO/LTGO bonds.

**E. CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2023, the following changes in long-term liabilities occurred:

	Outstanding 12/31/2022	Additions	Reductions	Outstanding 12/31/2023	Due Within One Year
<b>Governmental Activities</b>					
Bonds and Loans Payable					
L.T.G.O. bonds	18,740,000	-	1,016,000	17,724,000	1,053,000
WA State CERB Loan	755,934	-	36,230	719,704	37,136
WA State PWTF Loan	154,061	27,812	13,525	168,348	11,223
Unamortized premium	2,131,475	-	138,269	1,993,206	-
Total Bonds and Loans Payable	21,781,470	27,812	1,204,024	20,605,258	1,101,359
Net pension liability	2,346,606	-	244,321	2,102,285	-
Total OPEB liability	9,700,379	948,019	432,200	10,216,198	432,200
Compensated absences	1,968,759	67,869	-	2,036,628	-
Government activity long-term debt	35,797,214	1,043,700	1,880,545	34,960,369	1,533,559
<b>Business-Type Activities</b>					
Bonds and Loans Payable					
Revenue bonds	19,920,000	-	1,690,000	18,230,000	1,585,000
SRF Loans	5,689,565	7,270,801	415,840	12,544,526	479,250
PWTF Loans	1,682,080	-	162,813	1,519,267	166,968
Unamortized premium	2,434,878	-	237,960	2,196,918	-
Total bonds and loans payable	29,726,523	7,270,801	2,506,613	34,490,711	2,231,218
Asset retirement liability	5,500,000	-	-	5,500,000	-
Net pension liability	606,875	-	93,500	513,375	-
Compensated absences	535,376	-	4,508	530,868	-
Business-type activity long-term debt	36,368,774	7,270,801	2,604,621	41,034,954	2,231,218

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included in the above totals for governmental activities. The governmental activities above include internal service fund liabilities of \$253,997 for compensated absences and \$187,151 for net pension liability. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The SRF Loans Due Within One Year includes an estimated amount of \$57,129 related to the Washington Department of Ecology 2022 State Revolving Fund (SRF) Loan.

**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, 2023, are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant	266,472
General Fund	Arterial Streets	171,177
General Fund	General Capital Projects	121,370
General Fund	INFRA Grant	10,021
Total		569,040

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, 2023 the loans outstanding are as follows:

Interfund Loan Receivable/Payable			
Receivable Fund	Payable Fund	Total	To be Repaid in 2024
General Fund	Economic Development Capital Projects	5,500,000	Undetermined
Total		5,500,000	

The purpose of the interfund loans is 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 two 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 2023 the following transfers in/out occurred:

Transfers From:	Transfers To:						Total
	General	Arterial Streets	Economic Development	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General	-	600,000	3,000,000	6,448,900	270,000	868,308	11,187,208
Nonmajor governmental	-	500,000	-	2,871,364	-	341,841	3,713,205
Water	39,600	-	-	-	-	-	39,600
Sewer	89,100	-	-	-	-	-	89,100
Storm Drain	12,900	-	-	-	-	-	12,900
Total transfers	141,600	1,100,000	3,000,000	9,320,264	270,000	1,210,149	15,042,013

Significant transfers that occurred during 2023 include:

- Transfers from property tax revenues in the General Fund to the Street Funds of \$3,700,000 to support street operations, maintenance and pavement preservation.
- Transfer of \$3,000,000 from the General Fund to the Economic Development Capital Projects fund to support the North Wenatchee Avenue Redevelopment project.
- Transfer of \$1,500,000 from the General Fund to the Apple Capital Loop Capital Projects fund to provide cash flow for the Apple Capital Loop (INFRA) grant projects.
- Transfers from various funds to the LTGO Debt Service Fund of \$1,747,796 to make the required annual debt service payments.
- Transfer of \$1,033,600 from the Lodging Tax Fund to the Convention Center Renovation Capital Projects Fund for engineering services related to the Convention Center Renovation project.

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

**A. PLAN DESCRIPTION**

In addition to pension benefits discussed in Notes 5 and 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 2023:

Aggregate OPEB Amounts	
OPEB liability	10,216,198
OPEB assets	-
Deferred outflows of resources	-
Deferred inflows of resources	-
OPEB expense	948,019

**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, 2023, the number of individuals eligible for this benefit is as follows:

	Active	Retired	Total	Medicare Eligible
Fire	0	13	13	11
Police	0	9	9	9
	0	22	22	20

**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 20 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, 2022 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, 2022. Measurement Date: December 31, 2023. Actuarial cost method: entry age normal. Discount rate: 3.25%. Long-term care trend rate: 4.5%. Medical trend varies between 5.2% and 6.5% from 2023 through 2073, grading down to an ultimate of 3.9%. For service-retiree members, mortality calculations used the Pub-2010 Safety Mortality Table (headcount-weighted) with generational projection using the ultimate rates in Projection Scale MP-2017, with ages set back one year for males. For disabled members, mortality calculations used the Pub-2010 Safety Disability Mortality Table with generational projection using the ultimate rates in Projection Scale MP-2017.



**E. SENSITIVITY ANALYSIS**

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.25%, 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 (2.25%) or 1 percentage point higher (4.25%) than the current rate at December 31, 2023:

	1% Decrease 2.25%	Current Discount Rate 3.25%	1% Increase 4.25%
Total OPEB Liability	\$ 11,578,285	\$ 10,216,198	\$ 9,082,498

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	\$ 9,092,450	\$ 10,216,198	\$ 11,528,745

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

The City had an actuarial valuation performed for the plans as of January 1, 2022, with a measurement date of December 31, 2023 to determine the funding status of the plan as of that date. The resulting OPEB calculation is depicted in the table below:

Change in Total OPEB Liability	
Total OPEB Liability at 12/31/2022	\$ 9,700,379
Changes for the year:	
Service Cost	-
Interest on total OPEB liability	355,735
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	592,284
Expected benefit payments	(432,200)
Total OPEB Liability at 12/31/2023	10,216,198

During 2023 the City purchased medical and prescription insurance coverage for those covered by the OPEB plan at a cost of \$197,888. In addition to this, the City reimbursed Medicare premiums to the qualifying participants in the amount of \$41,206. After all insurance carriers had been billed, the City was responsible for an additional \$214,354 in non-covered out of pocket costs sustained by plan members.

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 2023, Rivercom received total revenues of \$8,396,244 and incurred total expenses of \$7,162,346 resulting in an increase in fund balance of \$1,233,898, and ending fund balance of \$16,313,825. Rivercom produces financial statements using a cash basis of accounting, but the City estimates Rivercom’s net assets on a full accrual basis. 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. CHANGES WITHIN THE FINANCIAL REPORTING ENTITY**

During fiscal year 2023, the Arterial Street fund was required to be reported as a major fund and the New City Hall Remodel fund was consolidated with the nonmajor funds. These changes within the financial reporting entity resulted in restatements of beginning fund balance, as follows:

<b>Governmental Funds</b>	12/31/2022 As Previously Reported	Changes within the Financial Reporting Entity	12/31/2023 As Restated
Major Funds:			
General Fund	22,927,455	-	22,927,455
Arterial Streets	-	1,772,203	1,772,203
Economic Development Projects	(2,481,486)	-	(2,481,486)
New City Hall Remodel	353,656	(353,656)	-
Nonmajor Funds	16,844,878	(1,418,547)	15,426,331
<b>Total Governmental Funds</b>	<b>37,644,503</b>	<b>-</b>	<b>37,644,503</b>

**NOTE 16. SUBSEQUENT EVENTS**

On January 30, 2024, the City issues \$16,400,000 in LTGO bonds to finance the Convention Center Renovation. These bonds will be repaid over 20 years using Lodging Tax revenues. The first interest payment is due June 1, 2024 and the first principal payment is due December 1, 2024.

**CITY OF WENATCHEE, WA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**Last 10 fiscal Years\***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service Cost	-	-	-	-	-	-
Interest on total OPEB liability	355,735	261,029	265,025	319,817	394,196	369,895
Change of benefit terms	-	-	-	-	-	-
Effect of economic/demographic gains or losses	-	(1,402,355)	-	1,688,257	-	-
Effect of assumptions changes or inputs	592,284	(1,997,676)	-	125,120	1,832,334	(723,379)
Expected benefit payments	(432,200)	(422,140)	(506,996)	(515,297)	(387,865)	(333,200)
Net change in total OPEB liability	<u>515,819</u>	<u>(3,561,142)</u>	<u>(241,971)</u>	<u>1,617,897</u>	<u>1,838,665</u>	<u>(686,685)</u>
Total OPEB Liability, beginning	<u>9,700,379</u>	<u>13,261,521</u>	<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>10,216,198</u></u>	<u><u>9,700,379</u></u>	<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	-	-	-	-	-	-
Total OPEB liability as a % of covered employee payroll	N/A	N/A	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, 2023**  
**Last 10 Fiscal Years \***

	2023	2022	2021	2020	2019	2018	2017
<b>Total pension liability - beginning</b>	1,101,292	1,139,220	1,220,108	1,205,840	1,161,349	1,262,832	1,315,226
Interest on total pension liability	39,329	21,726	23,364	31,714	44,409	42,455	44,148
Effect of economic/demographic gains or losses	-	118,175	-	22,014	-	-	12,094
Effect of assumptions, changes or inputs	34,661	(71,467)	-	66,526	103,357	(43,435)	-
Benefit payments	(105,991)	(106,362)	(104,252)	(105,986)	(103,275)	(100,503)	(108,636)
<b>Net change in total pension liability</b>	<b>(32,001)</b>	<b>(37,928)</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>1,069,291</b>	<b>1,101,292</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>-</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>	<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 - 2023 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, 2023**  
**Last 10 Fiscal Years \***

PERS 1	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.067742%	0.066521%	0.067907%	0.070136%	0.068797%	0.066077%	0.058982%	0.060722%	0.065437%
City's proportionate share of the net pension liability	1,546,368	1,852,189	829,303	2,476,180	2,645,489	2,951,021	2,798,742	3,261,057	3,422,964
Covered payroll	12,239,074	10,788,842	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	12.63%	17.17%	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	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
<b>PERS 2/3</b>	<b>2023</b>	<b>2022</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)	0.087482%	0.086528%	0.087343%	0.090754%	0.088691%	0.084205%	0.075033%	0.074763%	0.081164%
City's proportionate share of the net pension liability (asset)	(3,585,610)	(3,209,134)	(8,700,768)	1,160,692	861,491	1,437,725	2,607,038	3,764,258	2,900,036
Covered payroll	12,239,074	10,788,842	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	-29.30%	-29.74%	-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	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	85.82%
<b>LEOFF 1</b>	<b>2023</b>	<b>2022</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)	0.072460%	0.076763%	0.076570%	0.075539%	0.074750%	0.074351%	0.075717%	0.077205%	0.077203%
City's proportionate share of the net pension liability (asset)	(2,150,630)	(2,202,033)	(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	(14,546,809)	(14,894,499)	(17,741,588)	(9,649,222)	(9,993,886)	(9,130,311)	(7,770,410)	(5,380,284)	-
TOTAL	(16,697,439)	(17,096,533)	(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%	0.00%	0.00%	-1253.10%
Plan fiduciary net position as a percentage of the total pension liability	175.99%	169.62%	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%
<b>LEOFF 2</b>	<b>2023</b>	<b>2022</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)	0.124523%	0.117266%	0.116591%	0.109105%	0.115940%	0.112178%	0.106158%	0.125999%	0.199133%
City's proportionate share of the net pension liability (asset)	(2,986,806)	(3,186,936)	(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	(1,907,344)	(2,064,428)	(4,368,736)	(1,423,092)	(1,758,953)	(1,474,611)	(955,591)	(477,764)	(3,399,963)
TOTAL	(4,894,150)	(5,251,363)	(11,140,824)	(3,648,675)	(4,444,927)	(3,752,069)	(2,428,720)	(1,210,612)	(5,446,652)
Covered payroll	5,533,754	4,776,151	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	-88.44%	-109.95%	-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	113.17%	116.09%	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, 2023**  
**Last 10 Fiscal Years \***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>PERS 1</b>									
Statutorily or contractually required contributions	432,877	430,663	450,414	501,871	510,023	465,707	421,781	368,462	12,485
Contributions in relation to the statutorily or contractually required contributions	(432,877)	(430,663)	(450,414)	(501,871)	(510,023)	(465,707)	(421,781)	(368,462)	(12,485)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	12,780,043	11,457,995	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	3.39%	3.76%	4.29%	4.80%	4.98%	5.07%	4.90%	4.85%	0.18%
<b>PERS 2/3</b>									
Statutorily or contractually required contributions	812,812	728,729	749,538	828,975	787,797	688,245	589,745	467,422	667,593
Contributions in relation to the statutorily or contractually required contributions	(812,812)	(728,729)	(749,538)	(828,975)	(787,797)	(688,245)	(589,745)	(467,422)	(667,593)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	12,780,043	11,457,995	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	6.36%	6.36%	7.14%	7.92%	7.69%	7.50%	6.86%	6.23%	10.01%
<b>LEOFF 2</b>									
Statutorily or contractually required contributions	290,498	264,989	237,440	223,403	216,513	203,012	188,432	179,281	240,031
Contributions in relation to the statutorily or contractually required contributions	(290,498)	(264,989)	(237,440)	(223,403)	(216,513)	(203,012)	(188,432)	(179,281)	(240,031)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered payroll	5,674,824	5,155,796	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	5.12%	5.14%	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.