

# City of Wenatchee, Washington

## Annual Financial Report For the Fiscal Year Ended December 31, 2007

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**CITY OF WENATHCEE, WA**  
**Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2007**

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**CITY OF WENATCHEE, WA  
List of Elected and Appointed Officials**

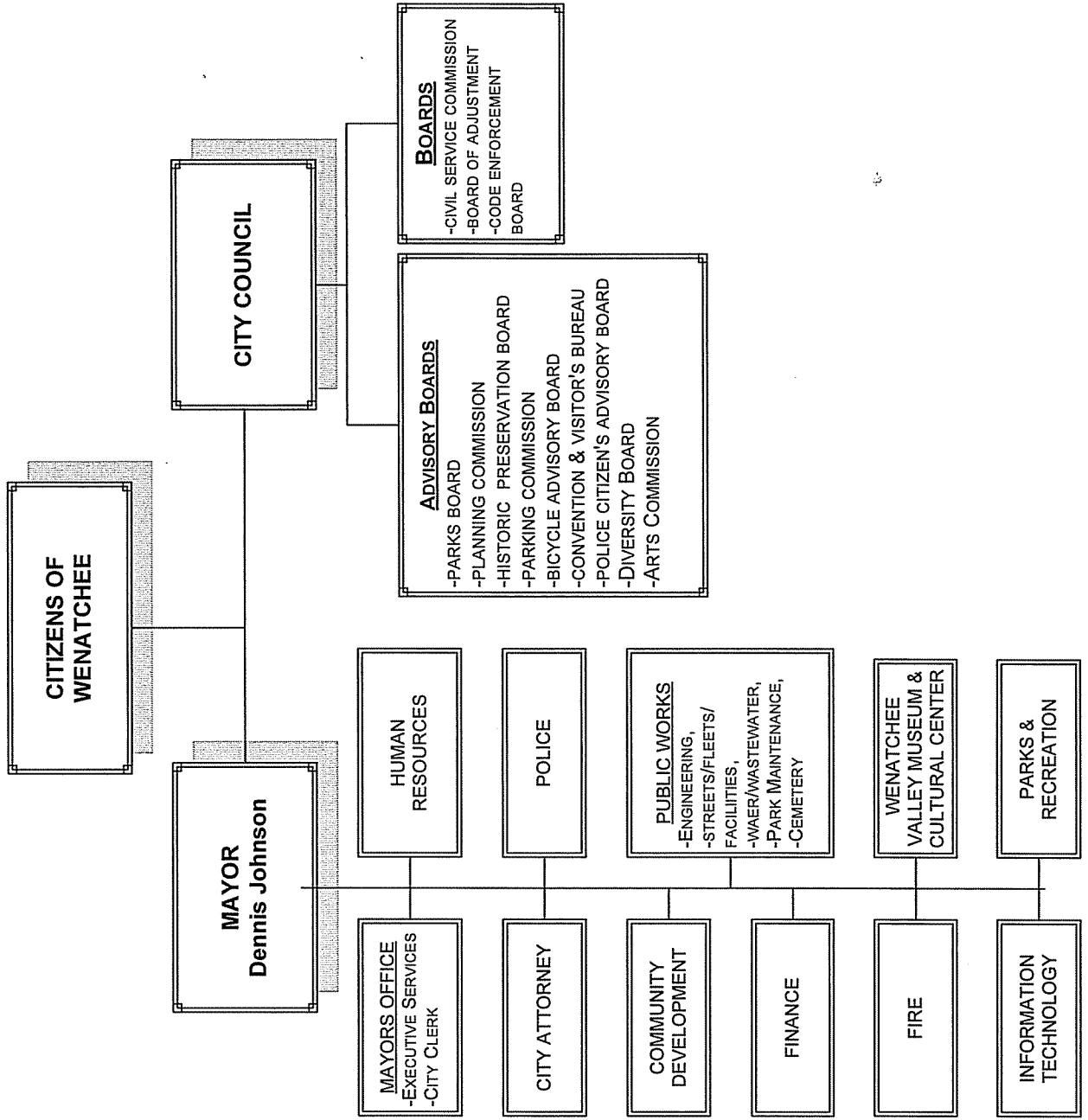
Elected Officials

Mayor	Dennis Johnson Third term - expires December 31, 2011
Council position #1	Jim Baily Appointed term - expires December 31, 2009 Frank Kuntz Resigned - January 3, 2008
Council position #2	Gaby Fernandez Appointed Term - expires December 31, 2009 Craig Larsen Resigned - April 8, 2008
Council position #3	Karen Rutherford Appointed term - Expires December 31, 2011 Christine Filby Re-elected and resigned - December 31, 2007
Council position #4	Doug Miller First term - expires December 31, 2009
Council position #5	Mark Kulaas Second term - expires December 31, 2011
Council position #6	Don Gurnard Third term - expires December 31, 2011
Council position #7	Carolyn Case Second term - expires December 31, 2011

Appointed Officials

Attorney	Steve Smith
Clerk	Vicki Reister
Community Development Director	Richard Smith
Executive Services Director	Allison Williams
Finance Director/Treasurer	Mark Calhoun
Fire Chief	Stan Smoke
Human Resource Director	Sandra Smeller
Information Technology Director	Dale Cantrell
Museum Director	Brenda Abney
Parks & Recreation Director	Dave Erickson
Police Chief	Tom Robbins
Public Works Director - Operations	Dan Frazier
Public Works Director - Engineering	Steve King

# CITY OF WENATCHEE ORGANIZATIONAL CHART





**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

July 18, 2008

Mayor and City Council  
City of Wenatchee  
Wenatchee, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wenatchee, Chelan County, Washington, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wenatchee, Chelan County, Washington, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street, and Arterial Street funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-1 through 2-11 and pension trust fund information on pages 6-1 through 6-3 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 7-1 through 7-22 and budgetary comparison information on pages 8-1 through 8-16, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wenatchee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Wenatchee for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Wenatchee exceeded its liabilities at the close of the most recent fiscal year by \$104,670,482. Of this amount, \$31,875,548 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$28,367,300, of which \$17,916,360 is the retroactive implementation of GASB 34 net assets put into service prior to calendar year 2003 and \$10,450,940 change is net assets for calendar year 2007.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$12,891,998. Approximately 94% of the total amount, or \$12,118,523, is available for spending at the government's discretion.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$5,065,714, or 24.60% of total general fund expenditures and other financing uses of \$20,593,554.
- The City's total combined bond and state revolving loan related long-term debt increased by \$7,267,794 (27.76%) during the current fiscal year which was comprised of \$11,830,000 of bond issues and \$4,562,206 in bond payments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Statements

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

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

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

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

The government-wide financial statements can be found beginning on page 3-1.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wenatchee, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal



requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

During the fiscal year ended December 31, 2007, the City maintained 32 individual governmental funds. Information for the General Fund, Street Special Revenue Fund and Arterial Street Special Revenue Fund (each of which is considered to be a major fund) is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances, and data from the other 29 governmental funds are combined into a single, aggregated presentation (on pages 4-1 through 4-4 of this report). Individual fund data for each of the 29 non-major governmental funds is provided in the form of combining statements on pages 7-1 through 7-10 of this report.

The City adopts an annual appropriated budget for its governmental funds in accordance with state law on a fund level. Budgetary comparison statements have been provided for the general fund, street special revenue fund and arterial street fund to demonstrate compliance with this budget and may be located on pages 4-5 through 4-8.

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

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Sewer, Storm Drain, Regional Water, Solid Waste and Cemetery Funds.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal services funds to account for the maintenance and replacement of its fleet of vehicles, the maintenance of facilities, the administration of property and liability insurance and its management information systems. Because all of these services predominantly benefit government rather than business-type functions, they have been included with the governmental activities in the government-wide financial statements presented in Part 3 of this document.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water/Sewer, Storm Drain and Regional Water operations (each of which is a major fund), and aggregate all other nonmajor proprietary funds of the City with a separate column for both the enterprise and internal service funds (on pages 4-9 through 4-13 of this report).

Individual fund data for each of the nonmajor enterprise funds may be found on pages 7-11 through 7-14 of this report, and individual fund data for the internal service funds may be found on pages 7-15 through 7-22.

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

principles used for fiduciary funds are much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 4-14 and 4-15 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 5-1 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Wenatchee's progress in funding its obligation to provide pension benefits to certain retired firefighters. This required supplementary information can be found in part 6 of this report, and also in footnote number 7, which is located in Part 5 of this document.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented in Parts 7 and 8 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Wenatchee, assets exceeded liabilities by \$104,670,481 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (\$72,092,491 or 68.883%) is comprised of its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of Wenatchee's Net Assets

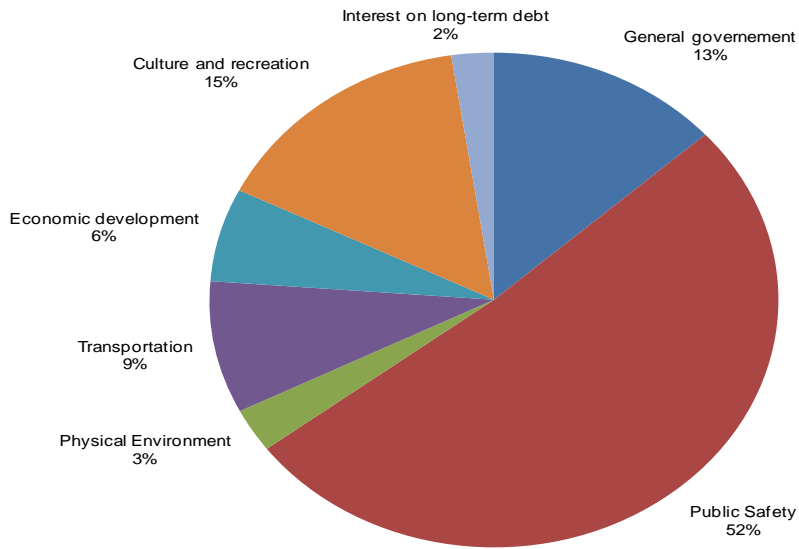
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$ 20,559,826	\$ 16,598,557	\$ 15,449,643	\$ 10,324,615	\$ 36,009,469	\$ 26,923,172
Capital assets	58,004,616	33,928,079	48,714,286	47,735,719	106,718,902	81,663,798
Total assets	<u>78,564,442</u>	<u>50,526,636</u>	<u>64,163,929</u>	<u>58,060,334</u>	<u>142,728,371</u>	<u>108,586,970</u>
<b>Liabilities</b>						
Long-term debt	13,176,211	12,433,252	20,319,300	16,489,251	33,495,511	28,922,503
Other liabilities	3,339,578	2,689,599	1,222,800	671,687	4,562,378	3,361,286
Total liabilities	<u>16,515,789</u>	<u>15,122,851</u>	<u>21,542,100</u>	<u>17,160,938</u>	<u>38,057,889</u>	<u>32,283,789</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	43,648,914	24,648,901	28,443,577	31,334,055	72,092,491	55,982,956
Restricted	0	0	702,443	957,648	702,443	957,648
Unrestricted	18,399,739	10,754,884	13,475,809	8,607,693	31,875,548	19,362,577
Total net assets	<u>\$ 62,048,653</u>	<u>\$ 35,403,785</u>	<u>\$ 42,621,829</u>	<u>\$ 40,899,396</u>	<u>\$ 104,670,482</u>	<u>\$ 76,303,181</u>

## City of Wenatchee's Changes in Net Assets

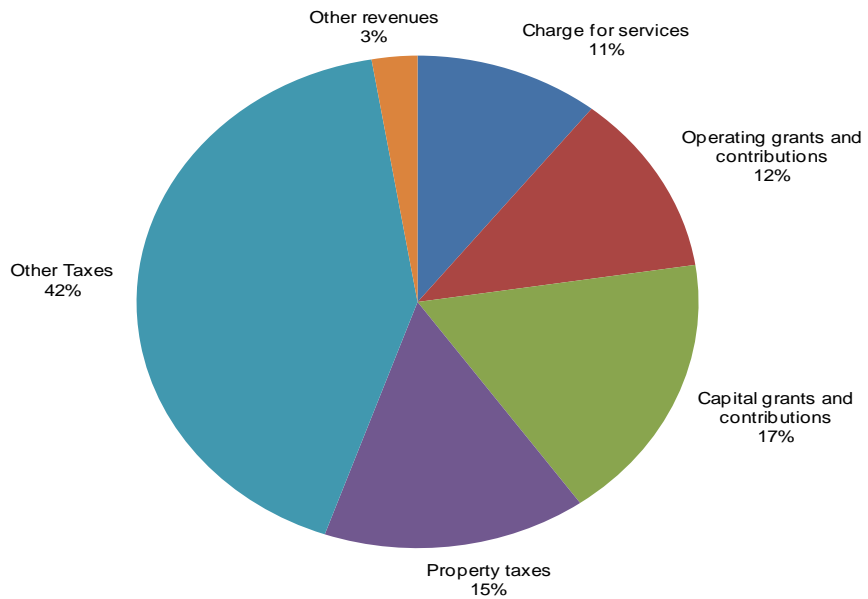
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charge for services	\$ 3,388,068	\$ 4,475,034	\$ 11,704,016	\$ 11,169,869	\$ 15,092,084	\$ 15,644,903
Operating grants and contributions	3,800,651	2,777,261	0	0	3,800,651	2,777,261
Capital grants and contributions	5,604,462	2,109,923	0	0	5,604,462	2,109,923
General revenues:						
Property taxes	4,831,585	4,323,314	0	0	4,831,585	4,323,314
Other Taxes	13,376,659	12,439,332	0	0	13,376,659	12,439,332
Other revenues	839,335	821,667	428,588	484,724	1,267,923	1,306,391
Total revenues	<u>31,840,760</u>	<u>26,946,531</u>	<u>12,132,604</u>	<u>11,654,593</u>	<u>43,973,364</u>	<u>38,601,124</u>
Expenses:						
General government	3,111,729	2,218,903	0	0	3,111,729	2,218,903
Public Safety	12,015,473	11,494,702	0	0	12,015,473	11,494,702
Physical Environment	666,968	1,283,570	0	0	666,968	1,283,570
Transportation	2,018,926	2,456,339	0	0	2,018,926	2,456,339
Economic development	1,424,716	1,445,619	0	0	1,424,716	1,445,619
Culture and recreation	3,569,474	3,044,121	0	0	3,569,474	3,044,121
Interest on long-term debt	559,370	554,944	0	0	559,370	554,944
Water/Sewer	0	0	6,799,345	6,048,518	6,799,345	6,048,518
Storm Drain	0	0	596,100	575,657	596,100	575,657
Regional Water	0	0	787,339	750,762	787,339	750,762
Solid Waste	0	0	1,721,783	1,634,730	1,721,783	1,634,730
Cemetery	0	0	272,544	252,041	272,544	252,041
Total expenses	<u>23,366,656</u>	<u>22,498,198</u>	<u>10,177,111</u>	<u>9,261,708</u>	<u>33,543,767</u>	<u>31,759,906</u>
Increase in net assets before transfers	8,474,104	4,448,333	1,955,493	2,392,885	10,429,597	6,841,218
Transfers	233,061	(69,056)	(233,061)	69,056	0	0
Increase in net assets	<u>8,707,165</u>	<u>4,379,277</u>	<u>1,722,432</u>	<u>2,461,941</u>	<u>10,429,597</u>	<u>6,841,218</u>
Net assets January 1,	35,403,785	31,024,508	40,899,396	38,437,455	76,303,181	69,461,963
Prior period correction	21,343		0		21,343	
GASB 34 retroactive impact	17,916,361		0		17,916,361	
Net assets December 31,	<u>\$ 62,048,654</u>	<u>\$ 35,403,785</u>	<u>\$ 42,621,828</u>	<u>\$ 40,899,396</u>	<u>\$ 104,670,482</u>	<u>\$ 76,303,181</u>

**Governmental Activities.** Governmental activities increased the City of Wenatchee's net assets by \$8,707,165, thereby accounting for 83% of the total growth in the net assets of the City.

**Expenses – Governmental Activities**

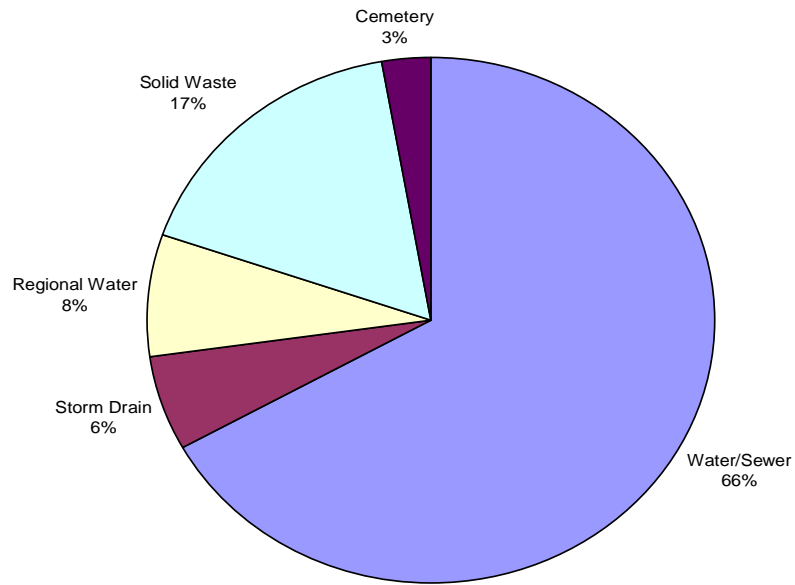


**Revenues by Source – Governmental Activities**

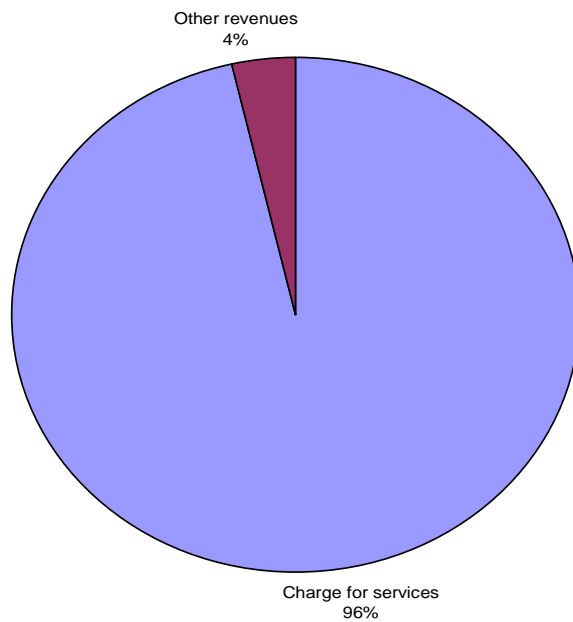


**Business-type Activities.** Business-type activities increased City of Wenatchee's net assets by \$1,722,432, accounting for 17% of the total growth in the government's net assets.

**Expenses and Program Revenues – Business-type Activities**



**Revenues by Source – Business-type Activities**



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

**Governmental funds.** The General Fund, Street Fund and Arterial Street Fund made up the City's major funds during the most recent fiscal year. Together these three funds account for \$7,257,358 (or 44.36%) of total governmental fund assets of \$16,359,959, and \$5,094,474 (or 39.52%) of the total governmental fund's fund balance of \$12,891,998.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,891,998. Of this figure, \$12,118,523 (or 94%) constitutes unreserved fund balance that is available for spending within the designated funds. The remaining fund balance of \$773,475 is reserved to indicate that it is not available for new spending because it has already been committed for other purposes.

The general fund is the chief operating fund of the City of Wenatchee. At the end of the current fiscal year, the total fund balance of the General Fund was \$5,109,243 and the unreserved fund balance was \$5,065,714. As a measure of the general fund's liquidity, it may be useful to compare both the total fund balance and unreserved fund balance to the total of fund expenditures and other financing uses. As of December 31, 2007, the total fund balance represented 24.81% of total general fund expenditures and the unreserved fund balance represented 24.60% of total general fund expenditures. A recent history of reserve percentages is as follows:

Year	Total Fund Balance	Unreserved Fund Balance	Expenditures and other Financing Uses	Fund Balance as a % of Expenditures	
				Total	Unreserved
2007	5,109,243	5,065,714	20,593,554	24.81%	24.60%
2006	5,068,573	5,025,623	18,407,024	27.54%	27.30%
2005	4,448,264	4,405,914	17,736,579	25.08%	24.84%
2004	4,429,570	4,412,220	16,408,176	27.00%	26.89%
2003	3,749,557	3,732,307	15,054,507	24.91%	24.79%

The fund balance of City's amended General Fund budget was anticipated to decrease by \$1,170,490 in 2007 but actually increased by \$40,670. The \$1,211,160 difference in the budgetary impact on the fund balance was a result of a number of key factors and is in part explained by the following:

- Sales tax revenues were \$226,800 (2.9%) greater than anticipated due to the yearend receipt of \$480,622 of criminal justice related sales taxes.
- Business tax revenues were \$137,200 (2.9%) greater than anticipated.
- License and permit revenues were \$76,000 (9.5%) greater than anticipated due to increased building permit activity related to unforeseen construction activity.
- Charge for services revenues were \$87,400 (5.8%) greater than anticipated.
- Interest income was \$94,400 (67.4%) greater than anticipated.
- Recurring departmental expenditures were \$369,800 (1.9%) less than anticipated.
- Nonrecurring revenues were \$106,700 (18.5%) greater than anticipated.
- Nonrecurring expenditures were \$76,000 (4.2%) less than anticipated.

The Street Fund budget was adopted and amended with the expectation that the fund balance would decrease by \$138,927 from \$675,955 at the end of 2006 to \$537,028 at the end of 2007. The actual fund balance at the end of 2007 was \$632,984 which was \$95,956 greater than anticipated. The change in

fund balance is the result of operating revenues being \$21,887 (1.3%) less than anticipated and operating expenditures being \$117,843 (6.3%) less than appropriated.

The Arterial Street Fund budget was adopted and amended with the expectation that the fund balance would increase by \$224,193 from (\$2,164,173) at the end of 2006 to (\$1,939,980) at the end of 2007. The actual fund balance at the end of 2007 was (\$647,753) which was \$1,292,227 greater than anticipated. The change in fund balance is largely the result of the reduction of a \$2,495,792 interfund loan that originated in 2006 that was necessary to finance the acquisition of land for a road development project. In 2007, a portion of the land that was excess to the City's need was sold and the interfund loan was reduced by \$1,316,301 to \$1,179,491 with a combination of land sale proceeds and a partial grant reimbursement. It is the City's intention to then sell the remainder of the parcel in 2008 and we anticipate the proceeds will eliminate the fund deficit entirely.

**Proprietary funds.** The Water/Sewer Utility Fund, Storm Drain Utility Fund and the Regional Water Fund made up the City's major business-type funds during the most recent fiscal year. Together these three funds accounted for 98.78% of total enterprise fund assets and 98.53% of total enterprise fund net assets. The City of Wenatchee's proprietary funds reported on pages 4-9 through 4-13 of this report provide the same type of information found in the government-wide financial statements in Part 3, but in more detail.

Unrestricted net assets of the Water/Sewer Utility Fund at the end 2007 amounted to \$6,702,975 for a total decrease from 2006 of \$71,930.

Unrestricted net assets of the Storm Drain Utility at the end of 2007 amounted to \$874,585 for a total decrease from 2006 of \$24,803.

Unrestricted net assets of the Regional Water Fund at the end of 2007 amounted to \$1,223,976 for a total increase over 2006 of \$460,355.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Through the course of the year the General Fund budget was amended to provide an increased appropriation of \$1,460,395. This increase may be explained in part by the following:

- An increase of \$9,600 in the mayor/council budget.
- An increase of \$111,100 in the fire department budget.
- An increase of \$15,900 in the finance department budget.
- A decrease of \$16,500 in the planning department budget.
- An increase of \$23,500 in the recreation/swimming pool budget.
- An increase of \$19,000 in the museum department budget.
- An increase of \$15,700 in the police department budget.
- An increase of \$6,000 in the parks maintenance budget.
- A decrease of \$113,500 in capital projects reflecting actual anticipated projects completed.
- An increase of \$1,108,957 in transfers-out to the Arterial Street Fund (a major special revenue fund) to partially finance road construction projects.
- An increase of \$100,000 in transfers-out to the Facility Maintenance Fund (an internal service fund) to partially finance the replacement of a roof on the City museum.

General Fund revenues were amended upward by a total of \$748,205 which may be explained in part by the following:

- A \$385,700 increase in sales tax revenues that were anticipated to be much greater than initially anticipated.
- A \$111,800 decrease in license and permit revenues that were anticipated to be less than initially anticipated.
- A \$182,300 increase in grant related revenues.
- A \$57,100 increase in contributions.
- A \$137,587 increase in transfers-in related to the close-out of the remaining reserves in the Pedestrian Overpass capital projects fund.

- A \$128,245 increase in transfers-in related to the close-out of the remaining reserves in the in the Swimming Pool Slide capital projects fund.

### 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, 2007, amounts to \$106,718,902 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and streets.

Major capital asset events during the current fiscal year included the following:

- \$17,916,361 in assets due to the retroactive implementation of GASB 34 for assets put into service prior to 2003.
- \$4,451,476 of infrastructure assets was recognized in accordance with GASB 34.
- \$1,908,430 construction of the new Public Works Building.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 6,659,785	5,966,872	\$ 1,149,340	1,149,340	\$ 7,809,125	7,116,212
Buildings and system	17,408,443	17,825,351	43,611,178	45,138,129	61,019,621	62,963,480
Improvements other than buildings	1,503,435	1,011,351	0	0	1,503,435	1,011,351
Machinery and equipment	3,053,889	2,396,595	1,225,504	807,428	4,279,393	3,204,023
Infrastructure	26,936,171	6,395,163	0	0	26,936,171	6,395,163
Construction in progress	2,442,893	332,747	2,728,264	640,823	5,171,157	973,570
Total	<u>\$ 58,004,616</u>	<u>\$ 33,928,079</u>	<u>\$ 48,714,286</u>	<u>\$ 47,735,720</u>	<u>\$ 106,718,902</u>	<u>\$ 81,663,799</u>

Additional information on the City's capital assets can be found in Footnote #6 located in Part 5 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City of Wenatchee had bond and state revolving loan related long-term debt of \$33,446,920. Of this amount, \$12,550,000 is comprised of general obligation bonds issued by the City that are backed by the full faith and credit of the government, \$537,500 represents a City guarantee of the repayment of a portion of bonds issued by Chelan County for the construction of the Rivercom facility, \$88,711 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment, \$13,025,000 represents revenue bonds secured solely by utility revenue sources, and \$7,245,709 represents a Washington Department of Ecology State Revolving Fund (SRF) Loan that was used to renovate our wastewater treatment plant. This SRF loan repayment will be repaid solely by utility revenue sources.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	12,550,000	9,105,000	0	0	12,550,000	9,105,000
Loan Guaranty	537,500	563,750	0	0	537,500	563,750
Special assessment debt	88,711	108,711	0	0	88,711	108,711
Revenue bonds	0	0	13,025,000	9,010,000	13,025,000	9,010,000
State Loans	0	0	7,245,709	7,391,665	7,245,709	7,391,665
Total	<u>13,176,211</u>	<u>9,777,461</u>	<u>20,270,709</u>	<u>16,401,665</u>	<u>33,446,920</u>	<u>26,179,126</u>

The City's total bond related long-term debt increased by \$7,267,794 (27.8%) during the current fiscal year. The net increase is the result of:

- A decrease of \$1,922,206 from making regularly scheduled debt service payments.
- A decrease of \$2,640,000 from the advance refunding of bonds initially issued in 1997.



- An increase of \$11,830,000 relating to 2007 bond issues including \$5,225,000 of revenue bonds and \$6,605,000 of general obligation bonds.

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

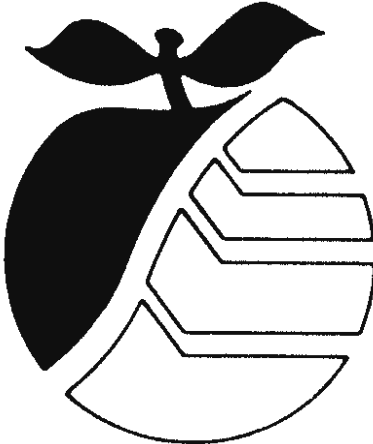
Bond Type	Moody's	Standard & Poor's
Revenue Bonds	A3	A
Unlimited Tax General Obligation Bonds	A2	A
Limited Tax General Obligation Bonds	A3	A

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

### **REQUESTS FOR INFORMATION**

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

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**CITY OF WENATCHEE, WASHINGTON  
STATEMENT OF NET ASSETS  
December 31, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business Activities	Total	Public Facilities District
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,004,024	\$ 7,802,749	\$ 24,806,773	\$ 1,097,826
Receivables (net)	4,087,485	848,280	4,935,765	117,292
Internal Balances	(1,179,491)	1,179,491	0	0
Inventories	17,101	229,298	246,399	0
Unamortized debt issue costs/premiums	74,841	239,264	314,105	0
Restricted assets				
Cash	555,866	5,150,561	5,706,427	0
Capital assets				
Land	6,659,785	1,149,340	7,809,125	0
Buildings and system (net)	17,408,443	43,611,178	61,019,621	0
Other improvements (net)	1,503,435	0	1,503,435	0
Machinery and equipment (net)	3,053,889	1,225,504	4,279,393	0
Infrastructure (net)	26,936,171	0	26,936,171	0
Construction in progress	2,442,893	2,728,264	5,171,157	0
<b>Total assets</b>	<b>78,564,442</b>	<b>64,163,929</b>	<b>142,728,371</b>	<b>1,215,118</b>
<b>LIABILITIES</b>				
Current payables	1,602,953	810,617	2,413,570	18,562
Retainage payable	140,410	64,294	204,704	0
Claims and judgements payable	100,000	0	100,000	0
Custodial	21,217	93,568	114,785	0
Accrued interest payable	8,220	91,574	99,794	0
Noncurrent liabilities				
Due within one year	903,626	1,250,000	2,153,626	0
Due in more than one year	12,272,585	11,775,000	24,047,585	0
Due to other gov't current	0	332,102	332,102	0
Due to other gov't long term	0	6,913,607	6,913,607	0
Compensated absences non-current	1,466,778	211,338	1,678,116	0
<b>Total liabilities</b>	<b>16,515,789</b>	<b>21,542,100</b>	<b>38,057,889</b>	<b>18,562</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	43,648,914	28,443,577	72,092,491	0
Restricted	0	702,443	702,443	0
Unrestricted	18,399,739	13,475,809	31,875,548	1,196,556
<b>Total net assets</b>	<b>\$ 62,048,653</b>	<b>\$ 42,621,829</b>	<b>\$ 104,670,482</b>	<b>\$ 1,196,556</b>

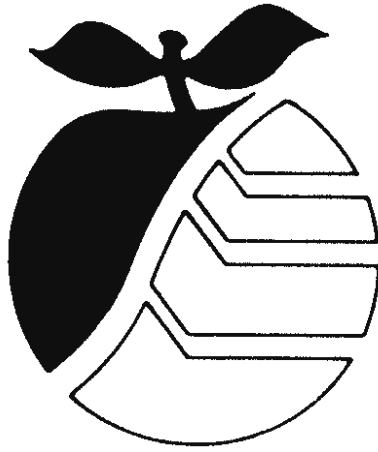
**CITY OF WENATCHEE, WASHINGTON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Public Facilities District
<b>Governmental Activities</b>								
General government	\$ 3,111,729	\$ 924,554	\$ 655,123	\$ 59,797	\$ (1,472,255)	\$ 0	\$ (1,472,255)	0
Public safety	12,015,473	776,468	722,312	134,410	(10,382,283)	0	(10,382,283)	0
Physical Environment	666,968	380,929	37,500	0	(248,539)	0	(248,539)	0
Transportation	2,018,926	96,742	417,302	5,014,134	3,509,252	0	3,509,252	0
Economic environment	1,424,716	548,929	820,025	0	(55,762)	0	(55,762)	0
Culture and recreation	3,569,474	660,446	1,115,155	396,121	(1,397,752)	0	(1,397,752)	0
Interest on long-term debt	559,370	0	33,234	0	(526,136)	0	(526,136)	0
Total governmental activities	<u>23,366,656</u>	<u>3,388,068</u>	<u>3,800,651</u>	<u>5,604,462</u>	<u>(10,573,475)</u>	<u>0</u>	<u>(10,573,475)</u>	<u>0</u>
<b>Business Activities</b>								
Water/Sewer	6,799,345	7,522,316	0	0	0	722,971	722,971	0
Storm Drain	596,100	871,160	0	0	0	275,060	275,060	0
Regional Water	787,339	1,356,259	0	0	0	568,920	568,920	0
Solid Waste	1,721,783	1,755,706	0	0	0	33,923	33,923	0
Cemetery	272,544	198,575	0	0	0	(73,969)	(73,969)	0
Total business type activities	<u>10,177,111</u>	<u>11,704,016</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,526,905</u>	<u>1,526,905</u>	<u>0</u>
Total Primary Government	<u>\$ 33,543,767</u>	<u>15,092,084</u>	<u>3,800,651</u>	<u>5,604,462</u>	<u>(10,573,475)</u>	<u>\$ 1,526,905</u>	<u>(9,046,570)</u>	<u>0</u>
<b>Component Units</b>								
Public Facilities District	84,083	85,025	0	842,835	0	0	0	843,777
Total Component Unit	<u>\$ 84,083</u>	<u>\$ 85,025</u>	<u>\$ 0</u>	<u>\$ 842,835</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>843,777</u>

General Revenues:

Property Taxes	4,831,585	0	4,831,585	0
Sales Taxes	7,496,140	0	7,496,140	0
City Utility Taxes	1,446,425	0	1,446,425	0
Other Taxes	4,434,094	0	4,434,094	0
Licenses	169,134	0	169,134	0
Unrestricted investment earnings	600,290	428,588	1,028,878	0
Miscellaneous general revenues	69,911	0	69,911	0
Transfers	233,061	(233,061)	0	0
Total general revenues	<u>19,280,640</u>	<u>195,527</u>	<u>19,476,167</u>	<u>0</u>
Change in net assets	8,707,165	1,722,432	10,429,597	843,777
Net assets beginning balance	35,403,785	40,899,396	76,303,181	352,779
Prior period correction	17,937,704	0	17,937,704	0
Net assets ending balance	<u>\$ 62,048,654</u>	<u>\$ 42,621,828</u>	<u>\$ 104,670,482</u>	<u>\$ 1,196,556</u>

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**CITY OF WENATCHEE, WASHINGTON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2007**

	GENERAL	STREET	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,994,528	\$ 592,653	\$ 498,143	\$ 8,077,750	\$ 12,163,074
Investments	0	0	0	0	0
Receivables:					
Taxes	98,103	34,407	0	11,106	143,616
Accounts	429,948	1,950	81,109	370,388	883,395
Due from Other Funds	9,979	0	0	0	9,979
Intergovernmental	2,072,086	65,199	341,552	577,890	3,056,727
Interest	0	0	0	0	0
Restricted Assets:					0
Cash	37,701	0	0	0	37,701
Interfund Loans Receivable	0	0	0	65,467	65,467
<b>TOTAL ASSETS</b>	<b>\$ 5,642,345</b>	<b>\$ 694,209</b>	<b>\$ 920,804</b>	<b>\$ 9,102,601</b>	<b>\$ 16,359,959</b>
<b>LIABILITIES</b>					
Accounts Payable	329,149	27,727	87,183	771,516	1,215,575
Wages Payable	24,387	4,217	0	4,654	33,258
Due To Other Funds	0	0	0	9,979	9,979
Deposits Payable	20,593	0	0	624	21,217
Revenues Received In Advance				2,320	2,320
Deferred Revenues	127,138	29,281	237,763	425,947	820,129
Sales Tax Payable	0	0	0	17	17
Retainage Payable	0	0	55,900	80,546	136,446
Leasehold Excise Tax Payable	0	0	0	9,474	9,474
Interest Payable	0	0	8,220	0	8,220
Unclaimed Property	0	0	0	0	0
Interfund Loans Payable	31,835	0	1,179,491	0	1,211,326
<b>TOTAL LIABILITIES</b>	<b>533,102</b>	<b>61,225</b>	<b>1,568,557</b>	<b>1,305,077</b>	<b>3,467,961</b>
<b>FUND BALANCE</b>					
Reserved	43,529	0	0	729,946	773,475
Unreserved , reported in					
Special Revenue Funds	0	632,984	(647,753)	3,461,816	3,447,047
Debt Service Funds	0	0	0	101,735	101,735
Capital Project Funds	0	0	0	3,504,027	3,504,027
Unreserved	5,065,714	0	0	0	5,065,714
<b>TOTAL FUND BALANCES</b>	<b>5,109,243</b>	<b>632,984</b>	<b>(647,753)</b>	<b>7,797,524</b>	<b>12,891,998</b>
<b>TOTAL LIABILITES AND FUND BALANCE \$</b>	<b>\$ 5,642,345</b>	<b>\$ 694,209</b>	<b>\$ 920,804</b>	<b>\$ 9,102,601</b>	

RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

Total net assets Governmental Funds	12,891,998
The amounts for the governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	54,996,194
Long term liabilities such as bonded debt is not reported in the governmental funds.	(14,536,601)
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	820,127
The Internal Service Funds' assets and liabilities are reported in the governmental funds.	7,876,936
Net assets of governmental activities	<u><u>62,048,654</u></u>

## STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2007

	GENERAL	STREET	ARTERIAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 16,127,580	\$ 1,164,137	\$ 0	\$ 2,684,462	\$ 19,976,179
Licenses and Permits	671,162	0	0	0	671,162
Intergovernmental	1,025,901	409,281	4,772,934	657,090	6,865,206
Charges for services	1,586,606	96,742	0	114,347	1,797,695
Fines and Forfeits	572,078	0	0	0	572,078
Investment earnings	234,418	28,755	(5,392)	236,071	493,852
Special Assessment Payments	0	0	0	32,491	32,491
Miscellaneous	117,154	12,968	3,881	537,292	671,295
Total Revenues	<u>20,334,899</u>	<u>1,711,883</u>	<u>4,771,423</u>	<u>4,261,753</u>	<u>31,079,958</u>
<b>EXPENDITURES</b>					
Current:					
General Government	3,106,507	0	0	64	3,106,571
Security of Persons & Property	11,458,257	0	0	571,747	12,030,004
Physical Environment	694,138	0	0	0	694,138
Transportation	0	1,726,291	33,734	0	1,760,025
Economic Environment	959,415	0	0	485,959	1,445,374
Culture & Recreation	1,941,545	0	0	1,361,203	3,302,748
Miscellaneous	0	0	0	0	0
Capital Outlay					
General	59,068	28,563	0	2,158,347	2,245,978
Highway/streets	0	0	5,388,177	0	5,388,177
Debt Service					
Principal Retirement	31,835	0	0	655,000	686,835
Interest and other charges	4,506	0	104,819	513,434	622,759
Total Expenditures	<u>18,255,271</u>	<u>1,754,854</u>	<u>5,526,730</u>	<u>5,745,754</u>	<u>31,282,609</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>2,079,628</u>	<u>(42,971)</u>	<u>(755,307)</u>	<u>(1,484,001)</u>	<u>(202,651)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Asset Disposition	0	0	1,012,770	0	1,012,770
Transfers In	299,325	0	1,258,957	2,170,069	3,728,351
Debt Proceeds				6,605,000	6,605,000
Payment of Refunded Bonds	0			(2,536,452)	(2,536,452)
Transfers Out	(2,338,283)	0	0	(1,696,790)	(4,035,073)
Total Other Financing Sources (Uses)	<u>(2,038,958)</u>	<u>0</u>	<u>2,271,727</u>	<u>4,541,827</u>	<u>4,774,596</u>
<b>CHANGE IN FUND BALANCE</b>	40,670	(42,971)	1,516,420	3,057,826	4,571,945
<b>FUND BALANCE JANUARY 1</b>	5,068,573	675,955	(2,164,173)	4,718,355	8,298,710
Prior Period Correction	0	0	0	21,343	21,343
<b>FUND BALANCE DECEMBER 31</b>	<u>\$ 5,109,243</u>	<u>\$ 632,984</u>	<u>\$ (647,753)</u>	<u>\$ 7,797,524</u>	<u>\$ 12,891,998</u>



**CITY OF WENATCHEE, WASHINGTON  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCE  
OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balance - total governmental funds	\$	4,571,945
<p>The amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures and sales of capital assets as revenue. However in the Statement of Activities the cost of those assets is instead allocated over their estimated useful lives and reported as depreciation expense. The sale of assets on the Statement of Activities will only report a profit or loss if the proceeds of the sale are more or less than the net value of the asset. This is the amount by which capital outlays exceeded depreciation in the current period and the net effect of the sale of capital assets.</p>		
		5,862,821
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		479,235
<p>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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.</p>		
		(3,318,324)
<p>The Internal Service funds are used to support governmental activities. The net revenue (expense) of these funds are reported in governmental activities.</p>		
		1,237,956
<p>Compensated Absences</p>		
		(126,469)
Change in net assets of governmental activities.	\$	<u>8,707,164</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN BALANCE, BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes:				
Property	\$ 3,325,900	\$ 3,325,900	\$ 3,319,196	\$ (6,704)
Sales	7,364,266	7,750,000	7,976,762	226,762
Business	4,657,200	4,657,200	4,794,392	137,192
Other	47,000	47,000	37,230	(9,770)
Licenses & Permits	707,000	595,200	671,162	75,962
Intergovernmental	822,864	953,803	1,025,901	72,098
Charges for Services	1,480,335	1,499,235	1,586,606	87,371
Fines & Forfeits	530,000	530,000	572,078	42,078
Interest Earnings	140,000	140,000	234,418	94,418
Rentals	15,600	15,600	16,899	1,299
Miscellaneous	20,000	77,100	100,255	23,155
Total Revenues	<u>19,110,165</u>	<u>19,591,038</u>	<u>20,334,899</u>	<u>743,861</u>
<b>EXPENDITURES</b>				
Current:				
General Government Services:				
Legislative	636,598	615,165	571,633	43,532
Judicial	426,000	426,000	426,657	(657)
Financial	974,050	989,950	939,518	50,432
Legal	225,000	225,000	239,388	(14,388)
Personnel	241,751	241,751	239,359	2,392
Employee Benefits Program	0	34,200	34,200	0
Facility Maintenance	655,700	655,700	655,752	(52)
Total General Government Services	<u>3,159,099</u>	<u>3,187,766</u>	<u>3,106,507</u>	<u>81,259</u>
Security of Persons & Property:				
Police	7,321,924	7,458,614	7,341,694	116,920
Fire	4,015,152	4,194,584	4,116,563	78,021
Total Security of Persons & Property	<u>11,337,076</u>	<u>11,653,198</u>	<u>11,458,257</u>	<u>194,941</u>
Physical Environment	739,837	739,837	694,138	45,699
Economic Environment	1,124,052	1,107,552	959,415	148,137
Mental & Physical Health	0	0	0	0
Culture & Recreation	1,815,065	1,868,714	1,941,545	(72,831)
Capital Outlay	200,000	86,500	59,068	27,432
Debt Service:				
Principal Retirement	30,136	30,136	31,835	(1,699)
Interest and Fiscal Charges	4,506	4,506	4,506	0
Total Expenditures	<u>18,409,771</u>	<u>18,678,209</u>	<u>18,255,271</u>	<u>422,938</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>700,394</u>	<u>912,829</u>	<u>2,079,628</u>	<u>1,166,799</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN BALANCE, BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	0	0	0	0
Transfers In	10,500	277,832	299,325	21,493
Transfers Out	(1,169,194)	(2,361,151)	(2,338,283)	22,868
Total Other Financing Sources (Uses)	<u>(1,158,694)</u>	<u>(2,083,319)</u>	<u>(2,038,958)</u>	<u>44,361</u>
<b>Excess (Deficiency) of Revenues and Other Sources over (Under) Expenditures and Other Uses</b>	(458,300)	(1,170,490)	40,670	1,211,160
<b>FUND BALANCE JANUARY 1,</b>	<u>5,068,573</u>	<u>5,068,573</u>	<u>5,068,573</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 4,610,273</u>	<u>\$ 3,898,083</u>	<u>\$ 5,109,243</u>	<u>\$ 1,211,160</u>

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STREET FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 1,166,500	\$ 1,166,500	\$ 1,164,137	\$ (2,363)
Intergovernmental Revenues	421,912	421,912	409,281	(12,631)
Charges for Services	196,300	107,358	96,742	(10,616)
Interest	28,000	28,000	28,755	755
Miscellaneous	10,000	10,000	12,968	2,968
<b>Total Revenues</b>	<u>1,822,712</u>	<u>1,733,770</u>	<u>1,711,883</u>	<u>(21,887)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,822,697	1,822,697	1,726,291	96,406
Capital Outlay	50,000	50,000	28,563	21,437
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total Expenditures</b>	<u>1,872,697</u>	<u>1,872,697</u>	<u>1,754,854</u>	<u>117,843</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(49,985)</u>	<u>(138,927)</u>	<u>(42,971)</u>	<u>95,956</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(49,985)</u>	<u>(138,927)</u>	<u>(42,971)</u>	<u>95,956</u>
<b>FUND BALANCE JANUARY 1,</b>	<u>675,955</u>	<u>675,955</u>	<u>675,955</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 625,970</u>	<u>\$ 537,028</u>	<u>\$ 632,984</u>	<u>\$ 95,956</u>

**CITY OF WENATCHEE, WASHINGTON  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ARTERIAL STREET FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	7,085,109	4,680,190	4,772,934	92,744
Charges for Services	0	0	0	0
Interest	0	5,000	(5,392)	(10,392)
Miscellaneous	1,213,266	72,000	3,881	(68,119)
<b>Total Revenues</b>	<u>8,298,375</u>	<u>4,757,190</u>	<u>4,771,423</u>	<u>14,233</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	0	0	33,734	(33,734)
Capital Outlay	8,339,030	5,454,688	5,388,177	66,511
Debt Service:				
Principal	2,495,792	1,316,301	0	1,316,301
Interest	0	0	104,819	(104,819)
<b>Total Expenditures</b>	<u>10,834,822</u>	<u>6,770,989</u>	<u>5,526,730</u>	<u>1,244,259</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,536,447)</u>	<u>(2,013,799)</u>	<u>(755,307)</u>	<u>1,258,492</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	0	1,258,957	1,258,957	0
Sale of Assets	2,495,792	979,035	1,012,770	33,735
Transfers (Out)	0			0
<b>Total Other Financing Sources (Uses)</b>	<u>2,495,792</u>	<u>2,237,992</u>	<u>2,271,727</u>	<u>33,735</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(40,655)</u>	<u>224,193</u>	<u>1,516,420</u>	<u>1,292,227</u>
<b>FUND BALANCE JANUARY 1, Prior Period Adjustment</b>	<u>(2,164,173)</u> 0	<u>(2,164,173)</u> 0	<u>(2,164,173)</u> 0	<u>0</u> 0
<b>FUND BALANCE DECEMBER 31,</b>	<u><u>\$ (2,204,828)</u></u>	<u><u>\$ (1,939,980)</u></u>	<u><u>\$ (647,753)</u></u>	<u><u>\$ 1,292,227</u></u>

**CITY OF WENATCHEE, WASHINGTON  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007**

	<b>WATER SEWER</b>	<b>STORM DRAIN</b>	<b>REGIONAL WATER</b>	<b>OTHER PROPRIETARY</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>ASSETS</b>						
Current Assets						
Cash & Cash Equivalents	\$ 5,541,742	\$ 802,941	\$ 1,239,801	\$ 218,265	\$ 7,802,749	\$ 4,840,951
Cash With Fiscal Agent	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Receivables (net of allowance for uncollectibles):						
Accounts	561,039	68,969	0	165,402	795,410	3,747
Interest on Investments	8,220	0	0	0	8,220	0
Intergovernmental	0	0	44,649	0	44,649	0
Restricted Cash	0	0	0	5,000	5,000	518,164
Inventory of Material and Supplies	229,298	0	0	0	229,298	17,101
Total current assets	<u>6,340,299</u>	<u>871,910</u>	<u>1,284,450</u>	<u>388,667</u>	<u>8,885,326</u>	<u>5,379,963</u>
Noncurrent assets						
Interfund Loans Receivable	1,228,081	0	0	0	1,228,081	0
Unamortized debt issue costs	177,490	35,567	0	0	213,057	0
Unamortized debt discount	9,742	5,180	30,084	0	45,006	0
Deferred amount on debt refunding	17,855	0	12,148	0	30,003	0
Restricted Assets:						
Cash-Revenue Bond Debt Service	4,585,690	277,370	32,502	0	4,895,562	0
Cash-Construction Accounts	0	0	250,000	0	250,000	0
Investments-Revenue Bond Debt Service	0	0	0	0	0	0
Capital Assets (Net)	<u>37,645,493</u>	<u>5,383,049</u>	<u>5,292,685</u>	<u>393,059</u>	<u>48,714,286</u>	<u>3,008,422</u>
Total noncurrent assets	<u>43,664,351</u>	<u>5,701,166</u>	<u>5,617,419</u>	<u>393,059</u>	<u>55,375,995</u>	<u>3,008,422</u>
Total Assets	<u>50,004,650</u>	<u>6,573,076</u>	<u>6,901,869</u>	<u>781,726</u>	<u>64,261,321</u>	<u>8,388,385</u>

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2007**

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
<b>LIABILITIES</b>						
Current liabilities						
Accounts Payable	612,802	21,943	10,194	124,863	769,802	342,309
Wages and Benefits Payable	33,454	0	0	0	33,454	0
Deposits Payable	55,500	0	0	0	55,500	0
Retainage Payable	64,294	7,359	0	0	71,653	3,963
Claims and Judgements Payable	0	0	0	0	0	100,000
Custodial	38,068	0	0	0	38,068	0
Matured Revenue Bonds Payable	0	0	0	0	0	0
Total current liabilities	<u>804,118</u>	<u>29,302</u>	<u>10,194</u>	<u>124,863</u>	<u>968,477</u>	<u>446,272</u>
Current liabilities payable from restricted assets						
Due to Other Governments	332,102	0	0	0	332,102	0
Accrued Interest Payable	78,968	8,770	3,837	0	91,575	0
Non-voted G O Bonds Payable Current	0	0	0	0	0	0
Revenue Bonds Payable - Current	756,020	150,000	343,980	0	1,250,000	0
Total current liabilities payable from restricted assets	<u>1,167,090</u>	<u>158,770</u>	<u>347,817</u>	<u>0</u>	<u>1,673,677</u>	<u>0</u>
Noncurrent liabilities						
Interfund Loans Payable	0	0	48,591	0	48,591	0
Due to other Governments	6,913,607	0	0	0	6,913,607	0
Unamortized Debt Premium	29,959	0	18,843	0	48,802	0
Revenue Bonds Payable	8,717,540	1,960,000	1,097,460	0	11,775,000	0
Compensated Absences	157,447	0	21,241	32,651	211,339	65,177
Total Non-current Liabilities	<u>15,818,553</u>	<u>1,960,000</u>	<u>1,186,135</u>	<u>32,651</u>	<u>18,997,339</u>	<u>65,177</u>
Total Liabilities	<u>17,789,761</u>	<u>2,148,072</u>	<u>1,544,146</u>	<u>157,514</u>	<u>21,639,493</u>	<u>511,449</u>
<b>NET ASSETS</b>						
Invested in Capital Assets						
Net of Related Debt	20,926,224	3,273,049	3,851,245	393,059	28,443,577	3,008,422
Restricted for Debt Service	4,585,690	277,370	32,502	0	4,895,562	0
Restricted for Future Construction	0	0	250,000	5,000	255,000	0
Unrestricted	6,702,975	874,585	1,223,976	226,153	9,027,689	4,868,514
Total Net Assets	<u>\$ 32,214,889</u>	<u>\$ 4,425,004</u>	<u>\$ 5,357,723</u>	<u>\$ 624,212</u>	<u>\$ 42,621,828</u>	<u>\$ 7,876,936</u>

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

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES:</b>						
Residential Utility Sales	\$ 3,586,692	\$ 394,480	\$ 0	\$ 1,755,707	\$ 5,736,879	\$ 0
Commercial/Industrial Utility Sales	3,555,173	474,732	1,356,050	0	5,385,955	0
Connection Fees	223,254	0	0	0	223,254	0
Charges for Services	22,712	1,614	0	195,357	219,683	3,543,520
Miscellaneous	25,408	334	208	3,218	29,168	39,206
Total Operating Revenues	<u>7,413,239</u>	<u>871,160</u>	<u>1,356,258</u>	<u>1,954,282</u>	<u>11,594,939</u>	<u>3,582,726</u>
<b>OPERATING EXPENSES:</b>						
Operations and Maintenance	3,032,310	358,470	509,401	1,726,579	5,626,760	2,047,974
Contracted Operations	0	0	0	41,500	41,500	0
Payment of Premiums	0	0	0	0	0	736,042
General Administration	2,022,586	0	0	219,052	2,241,638	1,884
Depreciation/Amortization	1,401,277	122,418	213,632	7,196	1,744,523	357,310
Total Operating Expenses	<u>6,456,173</u>	<u>480,888</u>	<u>723,033</u>	<u>1,994,327</u>	<u>9,654,421</u>	<u>3,143,210</u>
<b>OPERATING INCOME (LOSS)</b>	957,066	390,272	633,225	(40,045)	1,940,518	439,516
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest Income	387,007	64,120	73,797	12,738	537,662	252,802
Net Inc(Dec)in Fair Value of Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Interest Revenue	387,007	64,120	73,797	12,738	537,662	252,802
Interest Expense & Related Charges	(330,067)	(111,508)	(58,334)	0	(499,909)	0
Capital Contributions	0	0	0	0	0	1,118
Amortization of Debt Discount/ Premium, Issue Costs and Deferred Refunding	(13,103)	(3,704)	(5,971)	0	(22,778)	0
Gain (Loss) on sale of Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,739</u>
Non-Operating Revenues Net of Expense	43,837	(51,092)	9,492	12,738	14,975	258,659
<b>Net Income Before Transfers</b>	1,000,903	339,180	642,717	(27,307)	1,955,493	698,175
Transfers In (Out)	<u>(333,852)</u>	<u>0</u>	<u>0</u>	<u>100,791</u>	<u>(233,061)</u>	<u>539,782</u>
<b>CHANGE IN NET ASSETS</b>	667,051	339,180	642,717	73,484	1,722,432	1,237,957
<b>NET ASSETS JANUARY 1</b>	31,547,838	4,085,824	4,715,006	550,728	40,899,396	6,638,979
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS DECEMBER 31</b>	<u>\$ 32,214,889</u>	<u>\$ 4,425,004</u>	<u>\$ 5,357,723</u>	<u>\$ 624,212</u>	<u>\$ 42,621,828</u>	<u>\$ 7,876,936</u>



**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 7,429,466	\$ 861,129	\$ 1,382,308	\$ 1,943,228	11,616,131	\$ 3,540,374
Cash payments to vendors	(2,794,884)	(196,142)	(385,861)	(1,822,198)	(5,199,085)	(1,701,740)
Cash payments to employees	(1,675,794)	(136,192)	(121,161)	(164,516)	(2,097,663)	(790,303)
Cash payments to other funds	0	0	0	0	0	0
Other operating revenues	25,408	334	209	3,218	29,169	23,630
Net cash provided by operating activities	<u>2,984,196</u>	<u>529,129</u>	<u>875,495</u>	<u>(40,268)</u>	<u>4,348,552</u>	<u>1,071,961</u>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Loans (to) from other funds	0	0	0	0	0	0
Repayment of loans (to) from other funds	1,355,297	0	0	0	1,355,297	0
Interest payments (to) from other funds	109,077	0	0	0	109,077	0
Transfers	(333,852)	0	0	100,791	(233,061)	539,782
Net cash provided by noncapital financing activities	<u>1,130,522</u>	<u>0</u>	<u>0</u>	<u>100,791</u>	<u>1,231,313</u>	<u>539,782</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(2,357,494)	(346,110)	0	(19,306)	(2,722,910)	(1,036,238)
Proceeds from issuance of interfund debt	0	0	0	0	0	0
Proceeds from issuance of revenue bonds	5,225,000	0	0	0	5,225,000	0
Principal repayment on revenue bonds	(668,690)	(140,000)	(401,310)	0	(1,210,000)	0
Interest and related costs paid on revenue bonds	(291,002)	(112,051)	(54,077)	0	(457,130)	0
Repayment of construction loans	(145,956)	0	0	0	(145,956)	0
Interest and related costs on construction loans	(73,985)	0	0	0	(73,985)	0
Principal repayment of interfund debt	0	0	(38,995)	0	(38,995)	0
Interest received (paid) on interfund debt	0	0	(4,976)	0	(4,976)	0
Deferred Amount on Refunding	0	0	0	0	0	0
Proceeds from sale of equipment	0	0	0	0	0	21,420
Capital contributed by customers	0	0	0	0	0	1,118
Net cash used for capital and related financing activities	<u>1,687,873</u>	<u>(598,161)</u>	<u>(499,358)</u>	<u>(19,306)</u>	<u>571,048</u>	<u>(1,013,700)</u>
<b>Cash Flows From Investing Activities:</b>						
Purchase of Investment Securities	0	0	0	0	0	0
Proceeds from maturities of investment securities	0	0	0	0	0	0
Interest on investments	332,826	64,120	73,797	12,739	483,482	252,802
Net cash provided(used) in investing activities	<u>332,826</u>	<u>64,120</u>	<u>73,797</u>	<u>12,739</u>	<u>483,482</u>	<u>252,802</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	6,135,417	(4,912)	449,934	53,956	6,634,395	850,845
<b>Cash and cash equivalents at beginning of year</b>	3,992,015	1,085,223	1,072,369	169,309	6,318,916	4,508,270
<b>Cash and cash equivalents at end of year</b>	<u>\$ 10,127,432</u>	<u>\$ 1,080,311</u>	<u>\$ 1,522,303</u>	<u>\$ 223,265</u>	<u>\$ 12,953,311</u>	<u>\$ 5,359,115</u>

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	WATER SEWER	STORM DRAIN	REGIONAL WATER	OTHER PROPRIETARY	TOTAL	INTERNAL SERVICE FUNDS
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
<b>Operating Income (Loss)</b>	\$ 957,066	\$ 390,272	\$ 633,225	\$ (40,045)	\$ 1,940,518	\$ 439,516
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation	1,401,277	122,418	213,452	7,196	1,744,343	357,310
Change in assets and liabilities:						
(Increase) Decrease Accounts Receivable	41,634	(9,698)	26,258	(7,834)	50,360	(3,146)
(Increase) Decrease Deferred Revenue	0	0	0	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0	0	0	0
(Increase) Decrease Due From Other Governments	0	0	0	0	0	0
(Increase) Decrease Inventory	17,512	0	0	0	17,512	(3,496)
(Increase) Decrease Prepaid Items	0	0	0	0	0	0
Increase (Decrease) Accounts Payable	580,984	26,137	3,678	(2,819)	607,980	290,557
Increase (Decrease) Payroll Taxes Payable	32,855	0	(67)	(151)	32,637	(330)
Increase (Decrease) Retainage Payable	0	0	0	0	0	0
Increase (Decrease) Deposits Payable	0	0	0	0	0	0
Increase (Decrease) Customer Deposits Payable	0	0	0	0	0	0
Increase (Decrease) Due to Other Funds	0	0	0	0	0	0
Increase (Decrease) Due to Other Gov'n't	0	0	0	0	0	0
Increase (Decrease) Accrued Employee Leave	(47,132)	0	(1,051)	3,385	(44,798)	(8,450)
Total Adjustments	<u>2,027,130</u>	<u>138,857</u>	<u>242,270</u>	<u>(223)</u>	<u>2,408,034</u>	<u>632,445</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 2,984,196</u>	<u>\$ 529,129</u>	<u>\$ 875,495</u>	<u>\$ (40,268)</u>	<u>\$ 4,348,552</u>	<u>\$ 1,071,961</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>						
Decrease in fair value of investments		0				

**CITY OF WENATCHEE, WASHINGTON  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007**

	<b>FIREMEN'S PENSION TRUST FUND</b>	
<b>ASSETS</b>		
Cash	\$	3,458,382
Cash with Agent		0
Investments		0
Receivables:		
Taxes		13,346
Accounts		0
Interest on Investments		0
Intergovernmental		0
TOTAL ASSETS		3,471,728
<b>LIABILITIES:</b>		
Accounts Payable		0
Deferred Revenues		11,358
TOTAL LIABILITIES		11,358
<b>NET ASSETS</b>		
Assets held in trust	\$	3,460,370

**CITY OF WENATCHEE, WASHINGTON**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<b>FIREMEN'S PENSION TRUST FUND</b>	
<b>ADDITIONS</b>		
Property Taxes	\$	451,541
Fire Insurance Premiums		27,283
Interest Income		161,320
Total additions		640,144
<b>DEDUCTIONS</b>		
Retirement Benefits		154,477
General Administration		0
Total deductions		154,477
<b>Change in net assets</b>		485,667
<b>NET ASSETS January 1,</b>		2,974,703
<b>NET ASSETS December 31,</b>	\$	3,460,370

**CITY OF WENATCHEE, WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

**Discretely Presented Component Unit**

The Greater Wenatchee Regional Events Center Public Facilities District (GWRECPFD) was formed through an interlocal agreement in June 2006 to oversee the construction and operation of an event center facility. Included in the interlocal agreement are the City of Wenatchee, City of Cashmere, City of Chelan, City of East Wenatchee, City of Entiat, The Town of Waterville, Chelan County and Douglas County. The GWRECPFD entered into an agreement to lease or purchase The Greater Wenatchee Regional Events Center upon completion of the construction of the facility which is anticipated to be in September 2008. The GWRECPFD also entered into an interlocal agreement with the City of Wenatchee to act as its administrator.

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

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

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

**1. Government-wide Financial Statements**

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

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

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

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

## 2. Fund Financial Statements

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

The City of Wenatchee reports the following major governmental funds:

- The **general fund** is the City of Wenatchee's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **street fund** accounts for all activities pertaining to street maintenance including street cleaning, maintenance of sidewalks, maintenance of street lighting systems and traffic signal systems and snow plowing. The street fund is accounted for as a special revenue fund.
- The **arterial street fund** accounts for the revenues and expenditures related to the construction and rehabilitation of major streets throughout the City. The arterial street fund is accounted for as a special revenue fund.

The City of Wenatchee reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

- Internal service funds account for fleet operation and maintenance, fleet replacement, facility maintenance, data processing and self insurance services provided to other departments of the City, on a cost reimbursement basis.
- Permanent funds include the *cemetery endowment fund* that accounts for the perpetual care endowment of the City cemetery.
- The *firemen's pension trust fund* accounts for the accumulation of resources and payments of pension benefit payments to qualified retired firemen.

### 3. Fund Accounting

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

#### a. Governmental Funds

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

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

#### b. Proprietary Funds

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

#### c. Fiduciary Funds

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City of Wenatchee considers revenues to be available if they are collected within 60 days of the end of the

current fiscal period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 water/sewer fund, storm drain fund and regional water fund are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **D. BUDGETARY INFORMATION**

### **1. Scope of Budget**

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

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

### **2. Budget Development Process**

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

- a. In early October, and again in early November, the Mayor and Finance Director submit proposed budgets to the City Council. Each budget version is based on priorities established by the Council



and estimates provided by the City departments during the preceding months, and balanced with revenue estimates made by the Director of Finance.

- b. The Council conducts public hearings on the proposed budget in October, November and December.
- c. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
- d. The final operating budget as adopted is published and distributed within the first three months of the following year. Copies of the budget are available to the public.

### 3. Amending the Budget

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

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority (5 of 7 councilors) after holding a public hearing. During 2007 the budget was amended once and the budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

### 4. Excess of Expenditures Over Appropriations

- The Public Art Fund (a special revenue fund) exceeded its legal appropriation by \$104 or .3%. This occurred even after a budget amendment that attempted to accurately determine actual revenues and expenditures. The overage was covered with current year revenues and existing fund reserves.
- The Tourism Promotion Fund (a special revenue fund) exceeded its legal appropriation by \$9,512 or 5.4%. This occurred even after a budget amendment that attempted to accurately determine actual revenues and expenditures. The overage was covered with an identical amount of fund revenues.
- The Convention Center Fund (a special revenue fund) exceeded its legal appropriation by \$10,276 or 1.4%. This occurred even after a budget amendment that attempted to accurately determine actual revenues and expenditures. The overage was covered with current year revenues and existing fund reserves.
- The Hotel/Motel Tax – Tourism Fund (a special revenue fund) exceeded its legal appropriation by \$23,634 or 6.4%. This occurred even after a budget amendment that attempted to accurately determine actual revenues and expenditures. The overage was covered with current year revenues and existing fund reserves.
- The Arterial Street Fund (a special revenue fund) exceeded its legal appropriation by \$72,043 or 1.1%. This occurred even after a budget amendment that attempted to accurately determine actual revenues and expenditures. The overage was covered with current year revenues and existing fund reserves.
- The Ice Arena Fund (a special revenue fund) exceeded its legal appropriation by \$3,983 or 1.7%. This occurred even after a budget amendment that attempted to accurately determine actual revenues and expenditures. The overage was covered with current year revenues and existing fund reserves.
- The Community Center Operations Fund (a special revenue fund) exceeded its legal appropriation by \$36,853 or 43.8%. The overage was covered with current year revenues and existing fund reserves.
- The Homeless Housing Fund (a special revenue fund) exceeded its legal appropriation by \$34,202 or 27.8%. This occurred even after a budget amendment that attempted to accurately

determine actual revenues and expenditures. The overage was covered with current year revenues and existing fund reserves.

#### 5. Deficit Fund Equity

- The Police Station Bond debt service fund has a deficit fund balance of \$14,493 at December 31, 2007 (as opposed to a deficit fund balance of \$14,647 at December 31, 2006). The deficit is a result of delinquencies on property tax collections that support debt service payments on the underlying unlimited tax general obligation bonds. The fund balance is expected to become positive through future collections of delinquent property tax payments by the Chelan County Treasurer.
- The Arterial Street Fund (a special revenue fund) has a deficit fund balance of \$647,753 at December 31, 2007 (as opposed to a deficit fund balance of \$2,164,172 at December 31, 2006). The deficit originated with a \$2,495,792 land acquisition in June 2006 that was financed through a loan from the Water/Sewer Fund (see footnote #13 for a related disclosure regarding the interfund loan). Only a small portion of the land that was purchased was needed for the related construction project and in 2007 we sold one of two surplus parcels which has resulted in the improvement in the fund equity balance. We anticipate the future sale of the remaining parcel will provide the funds necessary to repay the balance of the loan and eliminate this deficit.
- The Orondo Boat Moorage Fund (a capital projects fund) has a deficit fund balance of \$3,249 at December 31, 2007. This project is being financed through a grant from the Washington State Recreation and Conservation Office (RCO). The deficit fund balance results from a grant billing for which reimbursement was not received in time to be recorded as revenue. The reimbursement was instead recorded as deferred revenue.
- The Foothills Trail Fund (a capital projects fund) has a deficit fund balance of \$8,174 at December 31, 2007. This project is being financed through a grant from the Washington State Recreation and Conservation Office (RCO). The deficit fund balance results from a grant billing for which reimbursement was not received in time to be recorded as revenue. We have not recorded this as deferred revenues as of December 31, 2007, because some costs may not be eligible for reimbursements. If any costs are deemed ineligible the General Fund will cover any remaining deficit.

### **E. ASSETS, LIABILITIES AND EQUITIES**

#### 1. Cash, Cash Equivalents and Investments

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

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

#### 2. Receivables and Payables

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

- Property Taxes  
The City's annual property tax levy (see Note #5 - Property Taxes) is billed and collected by Chelan County. Taxes collected by the County, but not remitted to the City by year-end, are reported as receivables. Taxes are levied and become a lien on the first day of the calendar year. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property.
- Accounts Receivable  
Customer account receivable consist of amounts owned by private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes

and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

- Special Assessments

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2007, special assessments receivable totaled \$76,676, of which \$2,386 was delinquent.

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". A separate schedule of interfund loans receivable and payable is furnished in Note #13 – Interfund Balances and Transfers.

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

### 4. Amounts Due to and from Other Governments

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

### 5. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items (there are no prepaid items at December 31, 2007).

### 6. Restricted Assets

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

### 7. Capital Assets

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

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

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

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

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

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

#### 8. Compensated Absences

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

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

#### 9. Long-term Obligations

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

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

#### 10. Deferred Revenues

This account includes amounts recognized at receivables but not revenues in governmental funds because the revenue recognition criteria has not been met.

#### 11. Fund Equity

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

The General Fund and Cemetery Fund each report a \$5,000 reservation of cash that is related to donations that may be expended only toward a specific purpose stated by the donor. The General Fund also reports a \$38,529 designation including advance travel cash of \$10,000, IRS Section #125

cash of \$20,000, petty cash of \$7,950 and a \$579 held for a future swimming pool construction project.

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

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

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

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

Value of governmental assets	\$ 63,962,623
Less accumulated depreciation	<u>( 8,966,429)</u>
Adjustment for governmental fixed assets	<u>\$ 54,996,194</u>

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

Councilmanic Bonds Payable	\$ ( 9,367,500)
UTGO Bonds Payable	( 3,720,000)
LID Bonds Payable	( 88,711)
Unamortized debt issue items	74,841
Interfund loan long term	( 33,631)
Employee Leave Benefits	<u>( 1,401,601)</u>
Adjustment for long term liabilities	<u>\$( 14,536,602)</u>

3. The Internal Service funds provide services to the governmental funds and therefore the net assets is allocated to the governmental funds:

Equipment Rental Operations & Maintenance	\$ 1,322,799
Self Insurance	2,517,058
Equipment Rental Replacement	3,264,792
Facility Maintenance	146,658
Data Processing	<u>625,629</u>
Adjustment for Internal Service Funds	<u>\$ 7,876,936</u>

4. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. The detail of this difference are listed below:

Property Taxes	\$ 122,181
Rehab Loans Receivable	249,581
Transportation Grant Receivables	237,763
CTED Grant Receivable	41,550
Police Donations	2,100
RCO Grant Receivables	89,426
Community Cental Receivables	851
Special Assessment Receivables	<u>76,675</u>
Adjustment for deferred revenues	<u>\$ 820,127</u>

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

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

of activities reports on the full accrual bases. The following reconciling items adjust to the full accrual basis:

1. The governmental funds expense capital outlay and do not recognized depreciation. The adjustment for this is added to governmental fund balances:
 

Capital outlay	\$ 7,634,155
Less depreciation expense	( 797,612)
Cost of assets sold	( 1,029,056)
Capital outlay expensed	( 78,825)
Contributed capital	<u>134,159</u>
Adjustment for capital outlay	<u>\$ 5,862,821</u>
  
2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets
 

Debt Proceeds	\$( 6,530,159)
Debt Retired	<u>3,211,835</u>
Adjustment for debt transactions	<u>\$ (3,318,324)</u>
  
3. The internal service funds support some of the governmental operations. The internal service funds had a combined gain for calendar year 2006. The adjustment for this gain increases governmental fund balances:
 

Equipment Rental Operations	\$ 137,337
Self Insurance	469,636
Equipment Rental Replacement	435,036
Facility Maintenance	(26,249)
Data Processing	<u>222,196</u>
Adjustment for Internal Service funds	<u>\$ 1,237,956</u>
  
4. Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.
 

Property Taxes	\$ ( 17,366)
Rehab Loans Receivable	124,910
Transportation Grant Receivables	237,764
CTED Grant Receivable	41,550
Police Donations	2,100
RCO Grant Receivables	89,426
Community Cental Receivables	<u>851</u>
Adjustment for revenues	<u>\$ 479,235</u>

### **NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

### **NOTE 4. DEPOSITS AND INVESTMENTS**

#### **Deposits:**

As of December 31, 2007 the carrying amount of the City's cash balances was \$22,475,169 which consisted of \$22,434,420 in bank deposits and petty cash, and \$40,749 retained in escrow that will be released in the future pending the successful completion of related construction projects. No deposits were uninsured or uncollateralized.

Insurance coverage up to \$100,000 is provided through the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission (WPDPC), a multiple-financial institution collateral pool, 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.

**Investments:**

As of December 31, 2007 the City had a total of \$11,496,414 in investments, all of which was invested in the Washington State Investment Pool. A credit rating for the investment pool is unavailable.

Custodial risk is the risk that in event of failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities. Of the City's total position of \$11,496,414 in the Washington State Investment Pool, nothing is exposed to custodial credit risk.

There was no net increase or decrease in the fair value of investments during 2007 because the City's only investments on hand on 1/1/2007 and 12/31/2007 were in the State Investment Pool.

**NOTE 5. PROPERTY TAXES**

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

**Property Tax Calendar**

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

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

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

The City's regular levy for 2007 was \$2.67510 per \$1,000 on an assessed valuation of \$1,848,530,303 for a total levy of \$4,945,003.

In addition to the regular levy, the City has a bond levy that was approved by the voters in September 2001 for the construction of a police station. The 2007 levy was \$.20016 per \$1,000 on an assessed valuation of \$1,825,861,330 for a total levy of \$367,115.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 5,966,872	\$ 1,705,683	\$ (1,012,770)	\$ 6,659,785
Construction in progress	332,747	2,110,146	0	2,442,893
Total capital assets not being depreciated	<u>6,299,619</u>	<u>3,815,829</u>	<u>(1,012,770)</u>	<u>9,102,678</u>
Capital assets being depreciated:				
Buildings	23,015,807	48,560	(37,430)	23,026,937
Improvements other than buildings	1,483,699	558,668	0	2,042,367
Machinery and equipment	6,969,178	1,054,021	(215,616)	7,807,583
Infrastructure	6,626,474	22,657,357	0	29,283,831
Total capital assets being depreciated	<u>38,095,158</u>	<u>24,318,606</u>	<u>(253,046)</u>	<u>62,160,718</u>
Less accumulated depreciation for:				
Buildings	5,190,456	449,182	(21,144)	5,618,494
Improvements other than buildings	472,348	77,458	(10,874)	538,932
Machinery and equipment	4,572,584	380,045	(198,935)	4,753,694
Infrastructure	248,237	2,099,423	0	2,347,660
Total accumulated depreciation	<u>10,466,699</u>	<u>3,006,108</u>	<u>(230,953)</u>	<u>13,258,780</u>
Total capital assets being depreciated, net	<u>27,628,459</u>	<u>21,312,498</u>	<u>(22,093)</u>	<u>48,901,938</u>
Governmental activities capital assets, net	<u>\$ 33,928,078</u>	<u>\$ 25,128,327</u>	<u>\$ (1,034,863)</u>	<u>\$ 58,004,616</u>

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

General government	9,515
Public Safety	148,593
Transportation	3,412
Culture and recreation	387,855
Infrastructure	<u>248,237</u>
Total depreciation expense	<u>797,612</u>

In previous years, the Governmental Accounting Standards Board (GASB) prohibited governments from reporting in their financial statements any infrastructure assets (roads, sidewalks, bridges, etc.). This rule changed with the adoption of GASB Statement #34, which for the first time *required* governments to report all infrastructure assets that were acquired or significantly reconstructed retroactive to fiscal years ending after June 30, 1980. As a Phase 2 government (one with annual revenues between \$10 million and \$100 million) the City of Wenatchee was not required to fully implement the "retroactive provision" prior to the preparation of financial statement for fiscal years beginning after June 15, 2006. The beginning capital asset figures provided in footnote number 6 include all infrastructure added during calendar year 2003 through 2006. The capital asset additions included in 2007 reflect actual 2007 additions plus the retroactive recognition of infrastructure over the period 1980 through 2002.



	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,149,340	\$ 0	\$ 0	\$ 1,149,340
Construction in progress	640,825	2,092,083	(4,644)	2,728,264
Total capital assets not being depreciated	1,790,165	2,092,083	(4,644)	3,877,604
Capital assets being depreciated:				
Buildings	67,137,200	589,851	0	67,727,051
Improvements other than buildings	0	0	0	0
Machinery and equipment	1,988,570	45,617	0	2,034,187
Infrastructure	0	0	0	0
Total capital assets being depreciated	69,125,770	635,468	0	69,761,238
Less accumulated depreciation for:				
Buildings	22,491,103	1,624,770	0	24,115,873
Improvements other than buildings	0	0	0	0
Machinery and equipment	689,108	119,575	0	808,683
Infrastructure	0	0	0	0
Total accumulated depreciation	23,180,211	1,744,345	0	24,924,556
Total capital assets being depreciated, net	45,945,559	(1,108,877)	0	44,836,682
Business-type activities capital assets, net	\$ 47,735,724	\$ 983,206	\$ (4,644)	\$ 48,714,286

Depreciation was charged against business-type activities as follows:

Water/Sewer	1,401,278
Storm Drain	122,418
Regional Water	213,452
Cemetery	7,197
Total depreciation expense business activities	<u>1,744,345</u>

#### **NOTE 7. PENSION PLANS**

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

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

The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

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

##### Plan Description

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

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not

participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. Plan 1 retirements from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index) capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of two percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

There are 1,188 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Nonvested	49,812
Total	<u>250,838</u>

**Funding Policy**

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2007, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	6.13%**	6.13%**	6.13%***
Employee	6.00%****	4.15%****	*****

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

\*\* The employer rate for state elected officials is 9.12% for Plan 1 and 6.13% for Plans 2 and 3..

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.15% for Plan 2.

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

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2007	\$35,703	\$304,764	\$26,140
2006	\$25,245	\$146,738	\$11,225
2005	\$14,706	\$85,199	\$5,884

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

**Plan Description**

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

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

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

Plan 1 members are vested after after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

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

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

There are 383 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Nonvested	3,603
Total	<u>25,867</u>

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2007, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.35%**
Employee	0.00%	8.64%
State	n/a	3.45%

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

\*\* The employer rate for ports and universities is 8.80%.

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

	LEOFF Plan 1	LEOFF Plan 2
2007	\$641	\$249,369
2006	\$672	\$206,741
2005	\$1,058	\$158,661

### **Firemen's Pension**

The City is the administrator of a pension retirement system called the Firemen's Pension Fund. The Firemen's Pension Fund is a single employer defined benefit pension plan and is reported as a pension trust fund in the financial reports of the City.

As of December 31, 2007, there were a total of 27 retirees or beneficiaries eligible for retirement benefits. Of these 27, the State of Washington pays 6, the City pays 4, and both the City and State share the cost of the remaining 17. The Firemen's Pension Fund is a closed group, thus no new members are permitted.

An actuarial study of the system was conducted by Milliman & Robertson, Inc. as of June 30, 1993, to determine the funding requirements. The actuarial cost method used to value assets was the aggregate projected benefit method with the annual cost spread over the period ending December 31, 2006. Under this method, the normal cost is the portion of the actuarial present value of benefits allocated to a valuation year. As of that date, the actuarial present value of fund assets was \$172,000 and the actuarial present value of future benefits was \$2,786,000 leaving an unfunded actuarial accrued liability of \$2,614,000. At December 31, 2007, the unfunded actuarial accrued liability identified in the actuarial study has been erased and we now have a surplus of \$674,370. It is our intention to contract for another actuarial study during 2008 to confirm the funding status of this fund.

The significant actuarial assumptions used to compute the initial actuarial accrued liability included:

1. The accruing costs of all benefits are measured by an aggregate projected benefit method with the annual cost increasing 6% per year over the period ending December 31, 2006.
2. The future investment earnings of the assets of the Firemen's Pension Fund are assumed to accrue at an annual rate of 7-1/2%.
3. Equity mutual funds are carried on the market value basis. Other assets are carried on a book (cost) basis.
4. Future salaries are assumed to increase at the rate of 5-3/4% per annum. Those benefits that increase at the same rate as the salaries for active members of the same rank the retiree had attained at retirement are assumed to increase at the rate of 5-3/4%. Other benefits are assumed to increase at the same rate as the Consumer Price Index increases. The CPI was assumed to increase at the rate of 4.5% per annum.

5. All members who attain or who have attained age 65 in active service are assumed to retire immediately.
6. Future fire insurance premium tax revenues are assumed to increase at the rate of 5-3/4% per year. Property tax revenues are assumed to increase at 6% annually.

City contributions for calendar year 2007 were based upon the 1993 actuarial study which amortized the actuarial accrued liability through 2006. Revenues in 2007 totaled \$640,145 and were comprised of:

- \$451,541 from property taxes which represented \$.2448 per \$1,000 of the total \$2.67510 per \$1,000 levy (or 9.15% of the total levy).
- \$161,320 in interest earnings.
- \$27,284 from the State of Washington that is derived from a tax assessed on fire insurance premiums.

The 1993 actuarial study found the City was not funding a sufficient amount to meet future needs of the firemen's pension system. The cause of the insufficient funding resulted from the fact that medical and retirement benefits, as well as disability pay for active firefighters had been paid out of the fund between the 1987 actuarial study and June 1991, even though previous actuarial assumptions and recommendations were that medical benefits of the individuals covered by the Firemen's Pension Fund be paid from General Fund revenues. Beginning in July 1991, the City ceased paying medical benefits of those covered by the Firemen's Pension Fund through this program. By paying primarily retirement benefits through the Firemen's Pension Fund and most medical costs from other insurance programs the net assets available for benefits have rebounded over the past 15-years.

The following list represents twenty-three years of historical trend information to show the system's progress in accumulating sufficient resources to pay benefits when due:

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Expenses (Including Covered Payroll)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Expenses
2007	\$ 3,460,370	\$ 2,786,000	124.21%	\$ -674,370	\$ 154,477	-436.55%
2006	2,974,703	2,786,000	106.77%	-188,703	116,656	-161.76%
2005	2,509,761	2,786,000	90.08%	276,239	144,314	191.42%
2004	2,154,782	2,786,000	77.34%	631,218	155,495	405.94%
2003	1,876,056	2,786,000	67.34%	909,944	140,185	649.10%
2002	1,612,842	2,786,000	57.89%	1,173,158	148,827	788.27%
2001	1,384,534	2,786,000	49.70%	1,401,466	148,225	945.50%
2000	1,152,161	2,786,000	41.36%	1,633,839	165,712	985.95%
1999	924,860	2,786,000	33.20%	1,861,140	161,613	1151.60%
1998	753,455	2,786,000	27.04%	2,032,545	155,496	1307.14%
1997	587,308	2,786,000	21.08%	2,198,692	160,018	1374.03%
1996	447,341	2,786,000	16.06%	2,338,659	193,685	1207.45%
1995	358,316	2,786,000	12.86%	2,427,684	182,146	1332.82%
1994	278,838	2,786,000	10.01%	2,507,162	147,857	1695.67%
1993	175,947	2,786,000	6.32%	2,610,053	149,681	1743.74%
6/30/93**	172,000	2,786,000	6.17%	2,614,000	87,000	3004.60%
1992	127,108	2,282,000	5.57%	2,154,892	157,959	1364.21%
1991	99,434	2,282,000	4.36%	2,182,566	204,690	1066.28%
1990	119,703	2,282,000	5.25%	2,162,297	239,627	902.36%
1989	178,793	2,282,000	7.83%	2,103,207	223,819	939.69%
1988	228,180	2,282,000	10.00%	2,053,820	337,367	608.78%
1987	390,310	2,282,000	17.10%	1,891,690	177,501	1065.73%
1986	395,391	2,168,171	18.24%	1,772,780	208,808	849.00%
1985	442,984	2,060,000	21.50%	1,617,016	191,360	845.01%

\*\*At date of most recent actuarial study.

The amount shown as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and City rate benefits estimated to be payable in the future as a result of employee service to date. The measure which is the "actuarial present value of credited projected benefits," is intended to help users assess the system's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems and employers.

The following twenty-three year table of revenues and expenses summarizes past operational results of the fund:

Fiscal Year	REVENUES			EXPENSES			NET INCOME
	Taxes	Interest	Total	Benefits	Interest	Total	
2007	\$ 478,825	\$ 161,320	\$ 640,145	\$ 154,477	\$ 0	\$ 154,477	\$ 485,668
2006	450,756	130,842	581,598	116,656	0	116,656	464,942
2005	425,270	74,023	499,293	144,314	0	144,314	354,979
2004	404,284	29,938	434,222	155,495	0	155,495	278,727
2003	381,031	22,368	403,399	140,185	0	140,185	263,214
2002	351,544	25,591	377,135	148,827	0	148,827	228,308
2001	327,801	52,797	380,598	148,225	0	148,225	232,373
2000	310,702	82,310	393,012	165,712	0	165,712	227,300
1999	306,773	26,246	333,019	161,613	0	161,613	171,406
1998	287,248	34,395	321,643	155,496	0	155,496	166,147
1997	274,811	25,175	299,986	160,018	0	160,018	139,968
1996	262,965	19,744	282,709	193,685	0	193,685	89,024
1995	244,021	17,603	261,624	182,146	0	182,146	79,478
1994	241,269	9,479	250,748	147,857	0	147,857	102,891
1993	193,539	4,981	198,520	149,681	0	149,681	48,839
1992	181,538	4,095	185,633	157,959	0	157,959	27,674
1991	179,688	6,334	186,022	204,690	1,601	206,291	(20,269)
1990	170,424	12,922	183,346	239,627	2,808	242,435	(59,089)
1989	161,221	16,897	178,118	223,819	3,686	227,505	(49,387)
1988	155,885	19,354	175,239	337,367	0	337,367	(162,128)
1987	157,026	15,569	172,595	177,676	0	177,676	(5,081)
1986	144,432	16,531	160,963	208,808	0	208,808	(47,845)
1985	131,997	27,771	159,768	191,360	0	191,360	(31,592)

## **NOTE 8. RISK MANAGEMENT**

### **Property & Casualty Coverage:**

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

Authorization for the creation of the AWC RMSA is provided by Chapter 48.62 RCW which authorizes the governing body of any one or more government entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, 84 municipalities participate in the pool (as of December 31, 2007). The City of Wenatchee joined the AWC RMSA May 1, 1993.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The City has elected to retain a \$25,000 indemnity deductible on all liability coverages. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability,



employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier, as of June 1, 2005, and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$400,000 for liability and \$25,000 for property, and thereafter purchases excess liability insurance through NLC Mutual Insurance Company, up to \$1 million, and CV Starr, from \$1 million to \$5 million, with an additional \$5 million available for an additional cost, for a total of \$10 million of coverage. The City of Wenatchee has opted for the \$10 million coverage. The excess property coverage is purchased through Affiliated FM, using the Pool's broker, Willis of Seattle, Inc. Since the AWC RMSA is a cooperative program, the members of the AWC RMSA are jointly liable.

Members contract to remain in the pool a minimum of one year and must give one-year notice before terminating participation. The Interlocal Government Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement. The Pool is governed by a board of directors serving ex-officio as the AWC Board of Directors.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The City has also established a liability for outstanding property/casualty claims as of December 31, 2007. The specific financial of the AWC RMSA can be seen in the Annual Report on file in the Finance Department of the City of Wenatchee.

**Claims Payable and Settlements:**

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

As of December 31, 2007, the City had accrued the following amounts for outstanding claims:

	Incurred/ Reported	Incurred but not Reported	Total Claims Payable
Total	\$ 37,921	\$ 100,000	\$ 137,921

The following schedule presents changes in claims liabilities for 2007:

	Property & Casualty	
	2007	2006
Claims liabilities, January 1	\$ 108,946	\$ 109,356
Claims and operating expenses:		
Incurred during current year	737,926	604,584
Changes in estimate of claims from prior periods	0	0
Paid	(708,951)	(604,994)
Claims liabilities, December 31	\$ 137,921	\$ 108,946

**NOTE 9. SHORT-TERM DEBT**

The City had no short-term debt as of December 31, 2007.

**NOTE 10. LONG-TERM DEBT**

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

1) General Obligations Bonds

- Limited Tax General Obligation (LTGO) Bonds – Consist of four issues of non-voted general obligation bonds. Each of these issues represents a direct obligation of the City and the full faith and credit of the City has been irrevocably pledged to satisfy related debt service requirements. The LTGO issues currently outstanding are:
  - Bonds issued in 1993 for the purpose of remodeling the convention center.
  - Bonds issued in 1998 was for the purpose of completing overlays over roughly 40 miles of City streets.
  - Bonds issued in 2007 for the purpose of financing a portion of the construction cost of a public works building, renovating a portion of the city hall building, and renovating a portion of the convention center facility.
  - Bonds issued in 2007 to refund bonds initially issued in 1997 for the purpose of renovating the convention center. The refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next fourteen years \$276,466 for a net present value savings of \$214,274.
- Unlimited Tax General Obligation (UTGO) Bonds – Consist of one issue of voter approved general obligation bonds that were issued in 2001 for the construction of a new police station. The bonds are a direct obligation of the City and the full faith and credit of the government has been irrevocably pledged to satisfy related debt service requirements. For as long as the bonds are outstanding, the City irrevocably pledges to levy taxes annually without limitation as to rate or amount on all taxable property within the City in an amount sufficient, together with other money legally available and to be used therefore, to pay the principal of and interest on the Bonds when due.

2) Loan Guarantees

In 2002, Chelan County issued \$2,560,000 in LTGO Bonds, to be used for the design, construction and equipping of a 911 call center to be known as Rivercom. Rivercom is a multi-jurisdictional public safety answering point that was formed through an Interlocal Cooperative Agreement that includes four partners: Chelan County, Douglas County, the City of Wenatchee, and the City of East Wenatchee. Prior to the issuance of the bonds, each of the partners signed a Financing Agreement that commits each party to be a guarantor of up to twenty-five percent (25%) of the principal amount of the bonds. The City initial share of the guaranty was \$640,000, but after subsequent debt service payments has been reduced to \$537,500 as of December 31, 2007.

3) Revenue Bonds and Loans

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

4) Special Assessment or Local Improvement District (LID) Bonds have been issued to finance construction projects for sewers, sidewalks, etc. that have been requested by citizens and benefit specific locations within our community. These bonds are repaid with the proceeds of annual billings assessed against the property owners that benefited from the improvements. In the event of nonpayment of assessments the City of Wenatchee is obligated to make the payment of principal and interest of the Special Assessment Bonds and would do so to the extent funds are available in the

LID Guaranty Fund and through the receipt of proceeds from the foreclosure and sale of property upon which the delinquency occurred. At December 31, 2007 the LID Guaranty Fund had an unreserved fund balance of \$82,257.

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

The City's revenue and limited tax general obligation (LTGO) bonds each carry an A3 rating from Moody's Investor Services and an A rating from Standard and Poor's. The City's unlimited tax general obligation (UTGO) bonds carry an A2 rating from Moody's and an A rating from Standard and Poor's.

The following table depicts debt outstanding as of December 31, 2007:

Item	Interest Rates	Maturity	Authorized	Outstanding 1/1/2007	Additions	Reductions	Outstanding 12/31/2007
<b>General Obligation Bonds:</b>							
1993 L.T.G.O.	3.25-5.75%	12/1/2008	800,000	145,000	0	70,000	75,000
1997 L.T.G.O.	3.70-5.60%	12/1/2021	4,000,000	2,640,000	0	2,640,000	0
1998 L.T.G.O.	3.85-5.05%	12/1/2014	4,085,000	2,405,000	0	255,000	2,150,000
2007 L.T.G.O.	4.00-4.30%	12/1/2027	4,045,000	0	4,045,000	0	4,045,000
2007 L.T.G.O.	4.15%	12/1/2021	2,560,000	0	2,560,000	0	2,560,000
2001 U.T.G.O.	2.10-4.90%	12/1/2021	4,800,000	3,915,000	0	195,000	3,720,000
<b>Total General Obligation Bonds</b>			<b>\$ 20,290,000</b>	<b>\$ 9,105,000</b>	<b>\$ 6,605,000</b>	<b>\$ 3,160,000</b>	<b>\$ 12,550,000</b>
<b>Loan Guarantee</b>							
Chelan County/Riverc	1.80-4.90%	12/1/2022	\$ 640,000	\$ 563,750	\$ 0	\$ 26,250	\$ 537,500
<b>Revenue Bonds and Loans:</b>							
1998 Water/Sewer	3.90-5.05%	12/1/2013	2,720,000	2,260,000	0	90,000	2,170,000
1998 Storm Drain	3.90-5.05%	12/1/2013	3,190,000	2,250,000	0	140,000	2,110,000
2004 Water/Sewer	2.50-3.50%	12/1/2011	8,205,000	4,500,000	0	980,000	3,520,000
2007 SRF Loan	1.50%	7/30/2026	7,391,665	7,391,665	0	145,956	7,245,709
2007 Water/Sewer	4.00-4.30%	12/1/2027	5,225,000	0	5,225,000	0	5,225,000
<b>Total Revenue Bonds</b>			<b>\$ 26,731,665</b>	<b>\$ 16,401,665</b>	<b>\$ 5,225,000</b>	<b>\$ 1,355,956</b>	<b>\$ 20,270,709</b>
<b>LID Bonds</b>							
314/316	6.30-7.50%	9/15/2008	1,122,294	50,000	0	10,000	40,000
324	4.22%	6/1/2016	103,711	58,711	0	10,000	48,711
<b>Total LID Bonds</b>			<b>\$ 1,226,005</b>	<b>\$ 108,711</b>	<b>\$ 0</b>	<b>\$ 20,000</b>	<b>\$ 88,711</b>
<b>Employee Leave Benefit Obligations (Compensated Absences):</b>							
Governmental Funds (governmental activities)				\$ 1,275,132	\$ 126,469	\$ 0	\$ 1,401,601
Internal Service Funds (governmental activities)				73,627	24,021	32,471	65,177
Enterprise Funds (business-type activities)				256,136	3,385	48,182	211,339
<b>Total Employee Leave Benefits</b>				<b>\$ 1,604,895</b>	<b>\$ 153,875</b>	<b>\$ 80,653</b>	<b>\$ 1,678,117</b>

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

Year Ending December 31	General Obligation Bonds		Loan Guaranty		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	830,000	541,906	27,500	22,829	46,126	5,096
2009	780,000	507,665	27,500	22,004	6,385	1,797
2010	815,000	474,820	28,750	21,076	6,654	1,528
2011	855,000	440,122	30,000	20,041	6,935	1,247
2012	895,000	403,247	31,250	18,931	7,228	954
2013-2017	3,925,000	1,442,747	175,000	74,813	15,383	980
2018-2022	3,410,000	630,709	217,500	32,258	0	0
2023-2027	1,040,000	137,225	0	0	0	0
	<u>\$ 12,550,000</u>	<u>\$ 4,578,441</u>	<u>\$ 537,500</u>	<u>\$ 211,952</u>	<u>\$ 88,711</u>	<u>\$ 11,602</u>

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

Year Ending December 31	Revenue Bonds		State Revolving Fund Loan	
	Principal	Interest	Principal	Interest
2008	1,250,000	547,803	332,102.00	107,781.00
2009	1,295,000	498,565	337,118.00	102,765.00
2010	1,350,000	453,664	342,209.00	97,674.00
2011	1,390,000	404,257	347,378.00	92,505.00
2012	495,000	350,851	352,625.00	87,258.00
2013-2017	2,845,000	1,388,598	1,844,639.00	354,776.00
2018-2022	2,480,000	740,915	1,988,213.00	211,202.00
2023-2027	1,920,000	238,043	1,701,425.00	58,107.00
	<u>\$ 13,025,000</u>	<u>\$ 4,622,696</u>	<u>\$ 7,245,709</u>	<u>\$ 1,112,068</u>

### **Changes in Long-Term Liabilities**

During the year ended December 31, 2007, the following changes in long-term liabilities occurred:

	Outstanding 1/1/2007	Additions	Reductions	Outstanding 12/31/2007	Due Within One Year
<b>Governmental Activities</b>					
<b>Bonds Payable</b>					
U.T.G.O. bonds	3,915,000	0	195,000	3,720,000	200,000
L.T.G.O. bonds	5,190,000	6,605,000	2,965,000	8,830,000	630,000
Special assessment debt	108,711	0	20,000	88,711	46,126
Total bonds payable	9,213,711	6,605,000	3,180,000	12,638,711	876,126
Compensated absences	1,348,759	150,490	32,471	1,466,778	0
Loan guarantee	563,750	0	26,250	537,500	27,500
Government activity long-term debt	11,126,220	6,755,490	3,238,721	14,642,989	903,626
<b>Business-Type Activities</b>					
<b>Bonds and Loans Payable</b>					
Revenue bonds	9,010,000	5,225,000	1,210,000	13,025,000	1,250,000
SRF Loan	7,391,665	0	145,956	7,245,709	332,102
Total bonds and loans payable	16,401,665	5,225,000	1,355,956	20,270,709	1,582,102
Compensated absences	256,136	3,385	48,182	211,339	0
Business-type activity long-term debt	16,657,801	5,228,385	1,404,138	20,482,048	1,582,102
<b>Total Governmental and Business-Type</b>	<b>27,784,021</b>	<b>11,983,875</b>	<b>4,642,859</b>	<b>35,125,037</b>	<b>2,485,728</b>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$65,177 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated from by the general fund.

**Debt Limit Capacities for General Obligation Bonds**

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

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

At December 31, 2007, the debt limits for the City were as follows:

	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*	28,421,954	18,947,969	47,369,923	47,369,923	142,109,769
Outstanding Indebtedness	(9,367,500)	(3,720,000)	0	0	(13,087,500)
Margin Available	19,054,454	15,227,969	47,369,923	47,369,923	129,022,269

\* Based upon the 2007 assessed value for 2008 property taxes of \$1,894,796,901

**NOTE 11. LEASES**Operating Leases

The City leases equipment and property under noncancelable operating leases. The total cost for such leases was \$45,744 for the year ended December 31, 2007. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Equipment	Property	Total
2008	44,287	27,430	71,717
2009	44,287	30,575	74,862
2010	19,627	31,126	50,753
2011	14,883	2,598	17,481
2012	7,983	0	7,983
2013-2017	0	0	0

Capital Leases

In May 2007 the Greater Wenatchee Regional Events Center Public Facilities District (the District) entered into a lease with purchase option as a "lessee" with the Wenatchee Events Center, LLC ("lessor"), and the City of Wenatchee ("obligor"). Conditions of the agreement provide that the lessor will construct a regional events center at a cost of \$52,809,670 and that upon completion of the facility:

1. The lessee (the District) shall have the option to arrange for certificates of participation to be issued to provide the long term financing for the regional events center improvements, or if the District does not exercise its option to arrange for certificates of participation to be issued, then
2. The lessor (Wenatchee Events Center LLC) may elect to arrange for certificates of participation to be issued.

In either case, the lease payments will be in an amount equal to the principal amount of the lease plus interest established on the certificates of participation. Further, the principal amount of the lease payments shall commence on substantial completion of the facility (September 17, 2008) and terminate September 1, 2031.

3. The District (the lessee) also has the option to outright purchase the facility at the point of substantial completion or any time thereafter. If this option were exercised on September 17, 2008, the cost would be \$52,809,670, and the purchase would be accomplished through the issuance of revenue bonds. The District Board has authorized staff to investigate which option, the lease or purchase, would be more financially favorable to the District.

To the extent the lessee (the District) does not have non-voted general obligation debt capacity at least equal to the principal amount of the lease payments at the time the District's obligation to make lease payments commences, the City of Wenatchee (the obligor) shall be obligated to pay the proportionate amount of lease payments in excess of the District's non-voted debt capacity until such time as the District's debt capacity at least equals the principal amount of the then remaining lease payments. In addition, prior to the time the District's obligation to make lease payments commences, the City agrees that it will enter into a contingent loan agreement with the District that commits the City to make loans to the District if and when the District does not have sufficient money to pay the lease payments when due.

**NOTE 12. CONTINGENCIES AND LITIGATIONS**

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and self-insurance reserves are adequate to pay all known or pending claims.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to

grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

**NOTE 13. INTERFUND BALANCES AND TRANSFERS**

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

**Interfund Balances**

Due to/from other funds represent receivables and payables between funds for goods issued, work performed or services rendered for the benefit of another fund within the City. Due to/from balances at December 31, 2007 are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Homeless Funds	9,979
Total		\$ 9,979

Interfund receivables and payables represent loans between funds that have been approved by a City Council resolution and are supported with a specific repayment plan. At December 31, 2007 there are three such loans outstanding:

Interfund Receivable/Payable		
Receivable Fund	Payable Fund	Amount
Water/Sewer	Arterial Street	1,179,491
Water/Sewer	Regional Water	48,591
Cemetery Endowment	General Fund/GLTDAG	65,467
Total		\$ 1,293,549

**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 2007 the following transfers in/out occurred:

	Transfer To						
	Major Funds		Other Funds				Total
	General Fund	Arterial Street Fund	Nonmajor Governmental	Nonmajor Business	Debt Service	Internal Service	
<b>Transfer From</b>							
General fund	0	1,108,957	708,702	100,791	213,903	205,930	2,338,283
Major business-type	0	0	0	0	0	333,852	333,852
Nonmajor governmental	299,326	150,000	749,175	0	498,289	0	1,696,790
Internal service	0	0	0	0	0	99,180	99,180
Permanent	0	0	0	0	0	0	0
<b>Total</b>	<b>299,326</b>	<b>1,258,957</b>	<b>1,457,877</b>	<b>100,791</b>	<b>712,192</b>	<b>638,961</b>	<b>4,468,104</b>

Included in the transfers were the following one-time transactions:

- \$1,108,957 from the General Fund to the Arterial Street Fund to support street construction projects.

- \$100,000 from the General Fund to the Facility Maintenance Fund (an internal service fund) to partially finance the reroofing of a city building.
- \$105,930 from the General Fund to the Data Processing Fund (an internal service fund) to finance the acquisition of assorted information technology acquisitions.
- \$100,000 from the Street Overlay Fund (a nonmajor governmental fund) to the Arterial Street Fund to support street construction projects.
- \$500,000 from the Capital Improvements Fund (a nonmajor governmental fund) to the Public Works Facility Construction Fund (a nonmajor governmental fund) to partially finance the building construction.
- \$138,967 from the Pedestrian Overpass Fund (a nonmajor governmental fund) to the General Fund which represented a close out of all reserves at the conclusion of the construction project.
- \$134,880 from the Swimming Pool Slide Fund (a nonmajor governmental fund) to the General Fund which reflected the decision to temporarily abandon the construction project.
- \$99,180 from the Equipment Rental and Replacement Fund (an internal service fund) to the Data Processing Fund (an internal service fund) reflecting the transfer of money intended for the eventual purchase of a new phone system that will be managed by Data Processing personnel.

**NOTE 14. POST EMPLOYMENT HEALTH AND LONG-TERM CARE BENEFITS**

In addition to pension benefits discussed in NOTE 7, the City of Wenatchee provides post employment health care and disability (long-term care) benefits in accordance with RCW 41.26. These represent lifetime benefits for law enforcement officers and firefighters that were hired prior to October 1, 1977 (these employees are referred to as LEOFF 1 and pre-LEOFF). All of the City’s LEOFF 1 employees will become eligible for these benefits at the point they retire from City employment. As of December 31, 2007, the number of individuals eligible for this benefit is as follows:

	Active	Retired	Total	Medicare Eligible
Police	3	18	21	10
Fire	2	20	22	12
	5	38	43	22

LEOFF 1 - Long-Term Care

For disability/long-term care costs the City had for years adopted a pay-as-you-go approach whereby we paid claims as they arose. However, in 2000 the City created a special revenue fund to account for all related revenues and expenditures and begin building a reserve to use towards the payment of future claims. A history of our efforts to date are as follow:

Calendar Year	Disability / Long-Term Care								
	Revenues					Expenditures		Results of Operations	Year-End Fund Balance
	Operating Transfers From			Interest Income	Total	LTC Costs			
General Fund	Self-Insurance Fund	Total							
2007	\$ 120,000	\$ 0	\$ 120,000	\$ 24,432	\$ 144,432	\$ 119,022	\$ 25,410	\$ 485,711	
2006	\$ 0	\$ 0	\$ 0	\$ 27,522	\$ 27,522	\$ 157,830	\$ -130,308	\$ 460,301	
2005	105,000	205,951	310,951	13,797	324,748	95,021	229,727	590,609	
2004	99,996	0	99,996	5,360	105,356	64,903	40,453	360,882	
2003	99,996	0	99,996	3,654	103,650	48,074	55,576	320,429	
2002	96,000	0	96,000	4,601	100,601	44,790	55,811	264,853	
2001	96,000	0	96,000	9,003	105,003	66,553	38,450	209,042	
2000	250,000	0	250,000	3,159	253,159	82,567	170,592	170,592	
1999	69,012	0	69,012	0	69,012	69,012	0	0	

LEOFF 1 – Health Care Coverage

For health care coverage costs the City had for years adopted a pay-as-you go approach whereby we paid for and recognized claims as they were reported by the retiree. Over the 7-year period 1999 through 2005 those costs were as follows:



Calendar Year	Health Care
2005	\$ 433,557
2004	352,002
2003	272,140
2002	139,816
2001	459,849
2000	182,262
1999	205,292

In 2005 the City created a special revenue fund to account for all related revenues and expenditures and begin building a reserve to use towards the payment of future claims. Through this program we are able to satisfy retiree medical claims through a three tier approach:

1. The City pays the Part B premium for those 22 individuals that are Medicare eligible, which results in Medicare being the primary payer for related medical claims.
2. The City pays for medical insurance coverage for all 43 individuals through the Association of Washington Cities Employee Benefits Trust (AWC), which is a fully insured indemnity plan that offers specific coverages for particular maladies. If the individual is Medicare eligible, the AWC coverage is considered the secondary payer, if they are not Medicare eligible, AWC is considered primary.
3. Finally, the City is self-insured for those medical claims that are not covered by either Medicare or AWC.

A history of our efforts to date are as follow:

Calendar Year	Health Care Coverage										Results of Operations	Year-End Fund Balance
	Revenues					Expenditures						
	Operating Transfers From			Interest Income	Total	Medicare Part B Premium	Health Insurance Premium	City Out-of-Pocket	Total			
General Fund	Self Insurance Fund	Total										
2007	\$ 580,000	\$ 0	\$ 580,000	\$ 16,142	\$ 596,142	\$ 28,213	\$ 364,249	\$ 60,263	\$ 452,725	\$ 143,417	\$ 372,848	
2006	542,499	0	542,499	10,484	552,983	26,521	406,521	47,251	480,293	72,690	229,431	
2005	0	156,418	156,418	323	156,741	0	0	0	0	156,741	156,741	

**NOTE 15. PRIOR PERIOD CORRECTION**

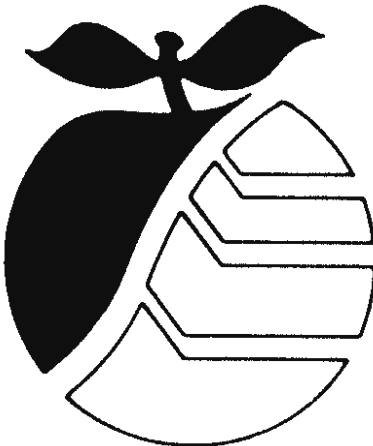
In 2007 prior period corrections totaling \$17,937,704 were recorded which represent the following:

- A \$21,343 prior period correction was recorded in the Homeless Funds Special Revenue Fund that reflects receipts that should have been accrued as revenue in 2006.
- A \$17,916,361 prior period correction is reported on the Government Wide Statement of Activity which reflects the retroactive capitalization of infrastructure assets constructed during the years 1980 through 2002 (as required by Governmental Accounting Standards Board Statement #34).

**NOTE 16. SUBSEQUENT EVENT**

On June 18, 2008, the board of the Greater Wenatchee Regional Events Center Public Facilities District (the District) voted to exercise the option to purchase an event center facility rather than lease it (see Note 11 for further explanation on this topic).

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**FIREMEN'S PENSION SYSTEM**

The City is the administrator of a pension retirement system called the Firemen's Pension Fund. The Firemen's Pension Fund is a single employer defined benefit pension plan and is reported as a pension trust fund in the financial reports of the City.

As of December 31, 2007, there were a total of 27 retirees or beneficiaries eligible for retirement benefits. Of these 27, the State of Washington pays 6, the City pays 4, and both the City and State share the cost of the remaining 17. The Firemen's Pension Fund is a closed group, thus no new members are permitted.

An actuarial study of the system was conducted by Milliman & Robertson, Inc. as of June 30, 1993, to determine the funding requirements. The actuarial cost method used to value assets was the aggregate projected benefit method with the annual cost spread over the period ending December 31, 2006. Under this method, the normal cost is the portion of the actuarial present value of benefits allocated to a valuation year. As of that date, the actuarial present value of fund assets was \$172,000 and the actuarial present value of future benefits was \$2,786,000 leaving an unfunded actuarial accrued liability of \$2,614,000. At December 31, 2007, the unfunded actuarial accrued liability identified in the actuarial study has been erased and we now have a surplus of \$674,370. It is our intention to contract for another actuarial study during 2008 to confirm the funding status of this fund.

The significant actuarial assumptions used to compute the initial actuarial accrued liability included:

- The accruing costs of all benefits are measured by an aggregate projected benefit method with the annual cost increasing 6% per year over the period ending December 31, 2006.
- The future investment earnings of the assets of the Firemen's Pension Fund are assumed to accrue at an annual rate of 7-1/2%.
- Equity mutual funds are carried on the market value basis. Other assets are carried on a book (cost) basis.
- Future salaries are assumed to increase at the rate of 5-3/4% per annum. Those benefits that increase at the same rate as the salaries for active members of the same rank the retiree had attained at retirement are assumed to increase at the rate of 5-3/4%. Other benefits are assumed to increase at the same rate as the Consumer Price Index increases. The CPI was assumed to increase at the rate of 4.5% per annum.
- All members who attain or who have attained age 65 in active service are assumed to retire immediately.
- Future fire insurance premium tax revenues are assumed to increase at the rate of 5-3/4% per year. Property tax revenues are assumed to increase at 6% annually.

City contributions for calendar year 2007 were based upon the 1993 actuarial study which amortized the actuarial accrued liability through 2006. Revenues in 2007 totaled \$640,145 and were comprised of:

- \$451,541 from property taxes which represented \$.2448 per \$1,000 of the total \$2.67510 per \$1,000 levy (or 9.15% of the total levy).
- \$161,320 in interest earnings.
- \$27,284 from the State of Washington that is derived from a tax assessed on fire insurance premiums.

The 1993 actuarial study found the City was not funding a sufficient amount to meet future needs of the firemen's pension system. The cause of the insufficient funding resulted from the fact that medical and retirement benefits, as well as disability pay for active firefighters had been paid out of the fund between the 1987 actuarial study and June 1991, even though previous actuarial assumptions and recommendations were that medical benefits of the individuals covered by the Firemen's Pension Fund be paid from General Fund revenues. Beginning in July 1991, the City ceased paying medical benefits of those covered by the Firemen's Pension Fund through this program. By paying primarily retirement

benefits through the Firemen's Pension Fund and most medical costs from other insurance programs the net assets available for benefits have rebounded over the past 15-years.

The following list represents twenty-three years of historical trend information to show the system's progress in accumulating sufficient resources to pay benefits when due:

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Expenses (Including Covered Payroll)	Unfunded Actuarial Accrued Liability as a Percentage of Annual Expenses
2007	\$ 3,460,370	\$ 2,786,000	124.21%	\$ -674,370	\$ 154,477	-436.55%
2006	2,974,703	2,786,000	106.77%	-188,703	116,656	-161.76%
2005	2,509,761	2,786,000	90.08%	276,239	144,314	191.42%
2004	2,154,782	2,786,000	77.34%	631,218	155,495	405.94%
2003	1,876,056	2,786,000	67.34%	909,944	140,185	649.10%
2002	1,612,842	2,786,000	57.89%	1,173,158	148,827	788.27%
2001	1,384,534	2,786,000	49.70%	1,401,466	148,225	945.50%
2000	1,152,161	2,786,000	41.36%	1,633,839	165,712	985.95%
1999	924,860	2,786,000	33.20%	1,861,140	161,613	1151.60%
1998	753,455	2,786,000	27.04%	2,032,545	155,496	1307.14%
1997	587,308	2,786,000	21.08%	2,198,692	160,018	1374.03%
1996	447,341	2,786,000	16.06%	2,338,659	193,685	1207.45%
1995	358,316	2,786,000	12.86%	2,427,684	182,146	1332.82%
1994	278,838	2,786,000	10.01%	2,507,162	147,857	1695.67%
1993	175,947	2,786,000	6.32%	2,610,053	149,681	1743.74%
6/30/93**	172,000	2,786,000	6.17%	2,614,000	87,000	3004.60%
1992	127,108	2,282,000	5.57%	2,154,892	157,959	1364.21%
1991	99,434	2,282,000	4.36%	2,182,566	204,690	1066.28%
1990	119,703	2,282,000	5.25%	2,162,297	239,627	902.36%
1989	178,793	2,282,000	7.83%	2,103,207	223,819	939.69%
1988	228,180	2,282,000	10.00%	2,053,820	337,367	608.78%
1987	390,310	2,282,000	17.10%	1,891,690	177,501	1065.73%
1986	395,391	2,168,171	18.24%	1,772,780	208,808	849.00%
1985	442,984	2,060,000	21.50%	1,617,016	191,360	845.01%

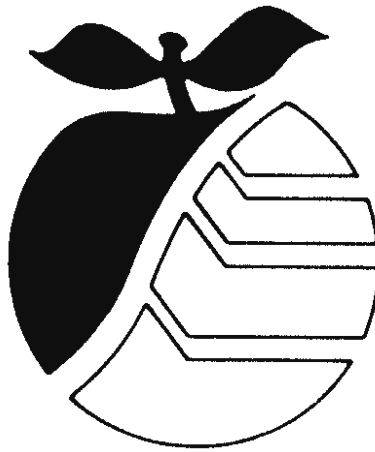
\*\*At date of most recent actuarial study.

The amount shown as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and City rate benefits estimated to be payable in the future as a result of employee service to date. The measure which is the "actuarial present value of credited projected benefits," is intended to help users assess the system's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems and employers.

The following twenty-three year table of revenues and expenses summarizes past operational results of the fund:

Fiscal Year	REVENUES			EXPENSES			NET INCOME
	Taxes	Interest	Total	Benefits	Interest	Total	
2007	\$ 478,825	\$ 161,320	\$ 640,145	\$ 154,477	\$ 0	\$ 154,477	\$ 485,668
2006	450,756	130,842	581,598	116,656	0	116,656	464,942
2005	425,270	74,023	499,293	144,314	0	144,314	354,979
2004	404,284	29,938	434,222	155,495	0	155,495	278,727
2003	381,031	22,368	403,399	140,185	0	140,185	263,214
2002	351,544	25,591	377,135	148,827	0	148,827	228,308
2001	327,801	52,797	380,598	148,225	0	148,225	232,373
2000	310,702	82,310	393,012	165,712	0	165,712	227,300
1999	306,773	26,246	333,019	161,613	0	161,613	171,406
1998	287,248	34,395	321,643	155,496	0	155,496	166,147
1997	274,811	25,175	299,986	160,018	0	160,018	139,968
1996	262,965	19,744	282,709	193,685	0	193,685	89,024
1995	244,021	17,603	261,624	182,146	0	182,146	79,478
1994	241,269	9,479	250,748	147,857	0	147,857	102,891
1993	193,539	4,981	198,520	149,681	0	149,681	48,839
1992	181,538	4,095	185,633	157,959	0	157,959	27,674
1991	179,688	6,334	186,022	204,690	1,601	206,291	(20,269)
1990	170,424	12,922	183,346	239,627	2,808	242,435	(59,089)
1989	161,221	16,897	178,118	223,819	3,686	227,505	(49,387)
1988	155,885	19,354	175,239	337,367	0	337,367	(162,128)
1987	157,026	15,569	172,595	177,676	0	177,676	(5,081)
1986	144,432	16,531	160,963	208,808	0	208,808	(47,845)
1985	131,997	27,771	159,768	191,360	0	191,360	(31,592)

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**CITY OF WENATCHEE, WASHINGTON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	SPECIAL REVENUE FUNDS							
	PUBLIC ART	PATHS & TRAILS	TOURISM PROMOTION AREA	HOTEL/MOTEL 60% CAPITAL	CONVENTION CENTER	HOTEL/MOTEL 40% TOURISM	LEOFF 1 LONG-TERM CARE	STREET OVERLAY
<b>ASSETS</b>								
Cash	\$ 67,621	\$ 17,135	\$ 0	\$ 0	\$ 417,836	\$ 25,646	\$ 485,711	\$ 921,208
Cash with Fiscal Agent	0	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0	0
Receivables:								
Taxes	0	0	0	0	0	0	0	0
Accounts	0	0	0	0	14,592	0	0	0
Intergovernmental	0	403	25,548	31,903	75,784	48,158	0	25,900
Interest	0	0	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>67,621</b>	<b>17,538</b>	<b>25,548</b>	<b>31,903</b>	<b>508,212</b>	<b>73,804</b>	<b>485,711</b>	<b>947,108</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	374	0	25,548	0	30,573	48,158	0	0
Payroll Payables	0	0	0	0	0	0	0	0
Due To Other Funds	0	0	0	0	0	0	0	0
Deferred Revenues	0	0	0	0	0	0	0	0
Revenue Received in Advance								
Deposits Payable	0	0	0	0	0	0	0	0
Sales Tax Payable	0	0	0	0	14	0	0	0
Retainage Payable	0	0	0	0	0	0	0	2,069
Leasehold Excise Tax Payable	0	0	0	0	9,474	0	0	0
Unclaimed Property	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>374</b>	<b>0</b>	<b>25,548</b>	<b>0</b>	<b>40,061</b>	<b>48,158</b>	<b>0</b>	<b>2,069</b>
<b>FUND BALANCE</b>								
Reserved	0	0	0	0	0	0	0	0
Unreserved	67,247	17,538	0	31,903	468,151	25,646	485,711	945,039
<b>TOTAL FUND BALANCE</b>	<b>67,247</b>	<b>17,538</b>	<b>0</b>	<b>31,903</b>	<b>468,151</b>	<b>25,646</b>	<b>485,711</b>	<b>945,039</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 67,621</b>	<b>\$ 17,538</b>	<b>\$ 25,548</b>	<b>\$ 31,903</b>	<b>\$ 508,212</b>	<b>\$ 73,804</b>	<b>\$ 485,711</b>	<b>\$ 947,108</b>

**CITY OF WENATCHEE, WASHINGTON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	SPECIAL REVENUE FUNDS						TOTAL SPECIAL REVENUE FUNDS
	ICE ARENA	COMMUNITY CENTER	HOUSING REHABILITATION	CDBG ENTITLEMENT	LEOFF 1 HEALTH CARE	HOMELESS FUNDS	
<b>ASSETS</b>							
Cash	\$ 249,143	\$ 231,712	\$ 154,114	\$ 34,575	\$ 382,744	\$ 201,409	\$ 3,188,854
Cash with Fiscal Agent	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0
Receivables:							
Taxes	0	0	0	0	0	0	0
Accounts	29,270	154	0	249,580	0	0	293,596
Intergovernmental	0	934	11,986	19,291	0	166,312	406,219
Interest	0	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>278,413</b>	<b>232,800</b>	<b>166,100</b>	<b>303,446</b>	<b>382,744</b>	<b>367,721</b>	<b>3,888,669</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	6,528	3,429	0	3,769	9,896	19,010	147,285
Payroll Payables	4,210	444	0	0	0	0	4,654
Due To Other Funds	0	0	0	0	0	9,979	9,979
Deferred Revenues	0	851	0	249,580	0	0	250,431
Revenue Received in Advance		2,320					2,320
Deposits Payable	0	624	0	0	0	0	624
Sales Tax Payable	0	3	0	0	0	0	17
Retainage Payable	0	0	0	0	0	0	2,069
Leasehold Excise Tax Payable	0	0	0	0	0	0	9,474
Unclaimed Property	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>10,738</b>	<b>7,671</b>	<b>0</b>	<b>253,349</b>	<b>9,896</b>	<b>28,989</b>	<b>426,853</b>
<b>FUND BALANCE</b>							
Reserved	0	0	0	0	0	0	0
Unreserved	267,675	225,129	166,100	50,097	372,848	338,732	3,461,816
<b>TOTAL FUND BALANCE</b>	<b>267,675</b>	<b>225,129</b>	<b>166,100</b>	<b>50,097</b>	<b>372,848</b>	<b>338,732</b>	<b>3,461,816</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 278,413</b>	<b>\$ 232,800</b>	<b>\$ 166,100</b>	<b>\$ 303,446</b>	<b>\$ 382,744</b>	<b>\$ 367,721</b>	<b>\$ 3,888,669</b>



**CITY OF WENATCHEE, WASHINGTON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	DEBT SERVICE FUNDS					TOTAL DEBT SERVICE FUNDS
	UTGO BONDS	LID GUARANTY	LTGO BONDS	LID 324	LID 314 & 316	
<b>ASSETS</b>						
Cash	\$ (16,186)	\$ 82,257	\$ 25,426	\$ 7,094	\$ 7,431	\$ 106,022
Cash with Fiscal Agent	0	0	0	0	0	0
Investments	0	0	0	0	0	0
Receivables:						
Taxes	11,106	0	0	0	0	11,106
Accounts	0	0	0	43,684	32,992	76,676
Intergovernmental	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>(5,080)</b>	<b>82,257</b>	<b>25,426</b>	<b>50,778</b>	<b>40,423</b>	<b>193,804</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	0	0	5,980	0	0	5,980
Payroll Payables	0	0	0	0	0	0
Due To Other Funds	0	0	0	0	0	0
Deferred Revenues	9,413	0	0	43,684	32,992	86,089
Revenue Received in Advance						
Deposits Payable	0	0	0	0	0	0
Sales Tax Payable	0	0	0	0	0	0
Retainage Payable	0	0	0	0	0	0
Leasehold Excise Tax Payable	0	0	0	0	0	0
Unclaimed Property	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>9,413</b>	<b>0</b>	<b>5,980</b>	<b>43,684</b>	<b>32,992</b>	<b>92,069</b>
<b>FUND BALANCE</b>						
Reserved	0	0	0	0	0	0
Unreserved	(14,493)	82,257	19,446	7,094	7,431	101,735
<b>TOTAL FUND BALANCE</b>	<b>(14,493)</b>	<b>82,257</b>	<b>19,446</b>	<b>7,094</b>	<b>7,431</b>	<b>101,735</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ (5,080)</b>	<b>\$ 82,257</b>	<b>\$ 25,426</b>	<b>\$ 50,778</b>	<b>\$ 40,423</b>	<b>\$ 193,804</b>

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

**CITY OF WENATCHEE, WASHINGTON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	CAPITAL PROJECTS FUNDS							
	CAPITAL IMPROVEMENTS	DAY USE MOORAGE PARKING	ICE ARENA RENOVATION	PEDESTRIAN OVERPASS	CONVENTION CENTER UPGRADES	CITY HALL CHAMBER UPGRADES	SWIMMING POOL SLIDE	FOOTHILLS TRAIL
<b>ASSETS</b>								
Cash	\$ 510,159	\$ (3,249)	\$ 53,559	\$ 0	\$ 703,290	\$ 166,021	\$ 0	\$ (8,072)
Cash with Fiscal Agent	0	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0	0
Receivables:								
Taxes	0	0	0	0	0	0	0	0
Accounts	0	0	0	0	0	0	0	0
Intergovernmental	82,244	89,427	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0
Interfund Loans Receivable	0	0	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>592,403</b>	<b>86,178</b>	<b>53,559</b>	<b>0</b>	<b>703,290</b>	<b>166,021</b>	<b>0</b>	<b>(8,072)</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	0	0	0	0	0	0	0	102
Payroll Payables	0	0	0	0	0	0	0	0
Due To Other Funds	0	0	0	0	0	0	0	0
Deferred Revenues	0	89,427	0	0	0	0	0	0
Revenue Received in Advance								
Deposits Payable	0	0	0	0	0	0	0	0
Sales Tax Payable	0	0	0	0	0	0	0	0
Retainage Payable	0	0	0	0	0	0	0	0
Leasehold Excise Tax Payable	0	0	0	0	0	0	0	0
Unclaimed Property	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>89,427</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102</b>
<b>FUND BALANCE</b>								
Reserved	0	0	0	0	0	0	0	0
Unreserved	592,403	(3,249)	53,559	0	703,290	166,021	0	(8,174)
<b>TOTAL FUND BALANCE</b>	<b>592,403</b>	<b>(3,249)</b>	<b>53,559</b>	<b>0</b>	<b>703,290</b>	<b>166,021</b>	<b>0</b>	<b>(8,174)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 592,403</b>	<b>\$ 86,178</b>	<b>\$ 53,559</b>	<b>\$ 0</b>	<b>\$ 703,290</b>	<b>\$ 166,021</b>	<b>\$ 0</b>	<b>(8,072)</b>

**CITY OF WENATCHEE, WASHINGTON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<b>PUBLIC WORKS FACILITY CONSTRUCITON</b>	<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>PERMANENT FUND CEMETERY TRUST</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>				
Cash	\$ 2,696,803	\$ 4,118,511	\$ 664,363	\$ 8,077,750
Cash with Fiscal Agent	0	0	0	0
Investments	0	0	0	0
Receivables:				
Taxes	0	0	0	11,106
Accounts	0	0	116	370,388
Intergovernmental	0	171,671	0	577,890
Interest	0	0	0	0
Interfund Loans Receivable	0	0	65,467	65,467
<b>TOTAL ASSETS</b>	<b>2,696,803</b>	<b>4,290,182</b>	<b>729,946</b>	<b>9,102,601</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	618,149	618,251	0	771,516
Payroll Payables	0	0	0	4,654
Due To Other Funds	0	0	0	9,979
Deferred Revenues	0	89,427	0	425,947
Revenue Received in Advance				2,320
Deposits Payable	0	0	0	624
Sales Tax Payable	0	0	0	17
Retainage Payable	78,477	78,477	0	80,546
Leasehold Excise Tax Payable	0	0	0	9,474
Unclaimed Property	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>696,626</b>	<b>786,155</b>	<b>0</b>	<b>1,305,077</b>
<b>FUND BALANCE</b>				
Reserved	0	0	729,946	729,946
Unreserved	2,000,177	3,504,027	0	7,067,578
<b>TOTAL FUND BALANCE</b>	<b>2,000,177</b>	<b>3,504,027</b>	<b>729,946</b>	<b>7,797,524</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>2,696,803</b>	<b>\$ 4,290,182</b>	<b>\$ 729,946</b>	<b>\$ 9,102,601</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	SPECIAL REVENUE FUNDS							
	PUBLIC ART	PATHS & TRAILS	TOURISM PROMOTION AREA	HOTEL/MOTEL 60% CAPITAL	CONVENTION CENTER	HOTEL/MOTEL 40 % TOURISM	LEOFF 1 LONG-TERM CARE	STREET OVERLAY
<b>REVENUES</b>								
Taxes	\$ 0	\$ 0	\$ 186,112	\$ 223,324	\$ 464,876	\$ 395,634	\$ 0	\$ 522,367
Intergovernmental	0	2,527	0	0	0	0	0	0
Charges for services	0	0	0	0	0	0	0	0
Investment earnings	3,604	834	0	5,989	11,171	2,711	24,432	38,465
Special Assessment Payments	0	0	0	0	0	0	0	0
Miscellaneous	27,314	0	0	0	199,965	0	0	0
Total Revenues	30,918	3,361	186,112	229,313	676,012	398,345	24,432	560,832
<b>EXPENDITURES</b>								
Current:								
General Government	0	0	0	0	0	0	0	0
Security of Persons & Property	0	0	0	0	0	0	119,022	0
Transportation	0	0	0	0	0	0	0	0
Economic Environment	0	0	0	0	0	0	0	0
Culture & Recreation	12,971	0	186,112	0	415,791	395,634	0	0
Capital Outlay	22,406	0	0	0	28,797	0	0	59,455
Debt Service								
Principal Retirement	0	0	0	0	0	0	0	0
Interest & other costs	0	0	0	0	0	0	0	0
Total Expenditures	35,377	0	186,112	0	444,588	395,634	119,022	59,455
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	(4,459)	3,361	0	229,313	231,424	2,711	(94,590)	501,377
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	0	0	0	0	249,175	0	120,000	0
Debt Proceeds								
Payment of Refunded Bonds								
Transfers Out	0	0	0	(249,175)	(324,229)	0	0	(150,000)
Total Other Financing Sources (Uses)	0	0	0	(249,175)	(75,054)	0	120,000	(150,000)
<b>CHANGE IN FUND BALANCE</b>	(4,459)	3,361	0	(19,862)	156,370	2,711	25,410	351,377
<b>FUND BALANCE JANUARY 1</b>	71,706	14,176	0	51,765	311,781	22,935	460,301	593,662
Prior Period Adjustments								
<b>FUND BALANCE DECEMBER 31</b>	\$ 67,247	\$ 17,537	\$ 0	\$ 31,903	\$ 468,151	\$ 25,646	\$ 485,711	\$ 945,039

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	SPECIAL REVENUE FUNDS						TOTAL SPECIAL REVENUE FUNDS
	ICE AREANA	COMMUNITY CENTER	HOUSING REHABILITATION	CDBG ENTITLEMENT	LEOFF 1 HEALTH COVERAGE	HOMELESS FUNDS	
<b>REVENUES</b>							
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,792,313
Intergovernmental	0	0	219,802	114,427	0	272,795	609,551
Charges for services	114,347	0	0	0	0	0	114,347
Investment earnings	12,975	12,811	8,532	0	16,142	12,076	149,742
Special Assessment Payments	0	0	0	0	0	0	0
Miscellaneous	153,136	77,498	19,258	48,225	0	0	525,396
<b>Total Revenues</b>	<b>280,458</b>	<b>90,309</b>	<b>247,592</b>	<b>162,652</b>	<b>16,142</b>	<b>284,871</b>	<b>3,191,349</b>
<b>EXPENDITURES</b>							
Current:							
General Government	0	0	0	0	0	0	0
Security of Persons & Property	0	0	0	0	452,725	0	571,747
Transportation	0	0	0	0	0	0	0
Economic Environment	0	0	274,406	70,469	0	141,084	485,959
Culture & Recreation	229,795	120,900	0	0	0	0	1,361,203
Capital Outlay	0	0	0	45,085	0	0	155,743
Debt Service							
Principal Retirement	0	0	0	0	0	0	0
Interest & other costs	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>229,795</b>	<b>120,900</b>	<b>274,406</b>	<b>115,554</b>	<b>452,725</b>	<b>141,084</b>	<b>2,574,652</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>50,663</b>	<b>(30,591)</b>	<b>(26,814)</b>	<b>47,098</b>	<b>(436,583)</b>	<b>143,787</b>	<b>616,697</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	0	8,702	0	0	580,000	0	957,877
Debt Proceeds							
Payment of Refunded Bonds							
Transfers Out	0	0	0	(9,111)	0	(16,368)	(748,883)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>8,702</b>	<b>0</b>	<b>(9,111)</b>	<b>580,000</b>	<b>(16,368)</b>	<b>208,994</b>
<b>CHANGE IN FUND BALANCE</b>	<b>50,663</b>	<b>(21,889)</b>	<b>(26,814)</b>	<b>37,987</b>	<b>143,417</b>	<b>127,419</b>	<b>825,691</b>
<b>FUND BALANCE JANUARY 1</b>	<b>217,012</b>	<b>247,018</b>	<b>192,914</b>	<b>12,111</b>	<b>229,431</b>	<b>189,970</b>	<b>2,614,782</b>
Prior Period Adjustments						21,343	21,343
<b>FUND BALANCE DECEMBER 31</b>	<b>\$ 267,675</b>	<b>\$ 225,129</b>	<b>\$ 166,100</b>	<b>\$ 50,098</b>	<b>\$ 372,848</b>	<b>\$ 338,732</b>	<b>\$ 3,461,816</b>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	DEBT SERVICE FUNDS					TOTAL DEBT SERVICE FUNDS
	UTGO BONDS	LID GUARANTY	LTGO BONDS	LID 324	LID 314 & 316	
<b>REVENUES</b>						
Taxes	\$ 365,619	\$ 0	\$ 0	\$ 0	\$ 0	\$ 365,619
Intergovernmental	0	0	0	0	0	0
Charges for services	0	0	0	0	0	0
Investment earnings	0	4,241	0	387	355	4,983
Special Assessment Payments	0	0	0	14,958	17,533	32,491
Miscellaneous	0	0	0	0	0	0
Total Revenues	365,619	4,241	0	15,345	17,888	403,093
<b>EXPENDITURES</b>						
Current:						
General Government	0	64	0	0	0	64
Security of Persons & Property	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
Economic Environment	0	0	0	0	0	0
Culture & Recreation	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service						
Principal Retirement	195,000	0	440,000	10,000	10,000	655,000
Interest & other costs	170,465	0	291,875	2,464	4,142	468,946
Total Expenditures	365,465	64	731,875	12,464	14,142	1,124,010
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	154	4,177	(731,875)	2,881	3,746	(720,917)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	0	0	712,192	0	0	712,192
Debt Proceeds	0	0	2,560,000	0	0	2,560,000
Payment of Refunded Bonds			(2,536,452)			(2,536,452)
Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	735,740	0	0	735,740
<b>CHANGE IN FUND BALANCE</b>	154	4,177	3,865	2,881	3,746	14,823
<b>FUND BALANCE JANUARY 1</b>	(14,647)	78,080	15,581	4,213	3,685	86,912
Prior Period Adjustments						
<b>FUND BALANCE DECEMBER 31</b>	\$ (14,493)	\$ 82,257	\$ 19,446	\$ 7,094	\$ 7,431	\$ 101,735

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	CAPITAL PROJECTS FUNDS							
	CAPITAL IMPROVEMENTS	DAY USE MOORAGE PARKING	ICE ARENA RENOVATION	PEDSTRIAN OVERPASS	CONVENTION CENTER UPGRADE	CITY HALL CHAMBER UPGRADES	SWIMMING POOL SLIDE	FOOTHILLS TRAIL
<b>REVENUES</b>								
Taxes	\$ 526,530	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	47,271	268	0	0	0	0	0	0
Charges for services	0	0	0	0	0	0	0	0
Investment earnings	25,751	0	2,844	6,380	0	0	6,635	0
Special Assessment Payments	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>599,552</b>	<b>268</b>	<b>2,844</b>	<b>6,380</b>	<b>0</b>	<b>0</b>	<b>6,635</b>	<b>0</b>
<b>EXPENDITURES</b>								
Current:								
General Government	0	0	0	0	0	0	0	0
Security of Persons & Property	0	0	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	0	0
Economic Environment	0	0	0	0	0	0	0	0
Culture & Recreation	0	0	0	0	0	0	0	0
Capital Outlay	47,271	3,517	0	0	0	0	0	8,174
Debt Service								
Principal Retirement	0	0	0	0	0	0	0	0
Interest & other costs	0	0	0	0	7,821	1,846	0	0
<b>Total Expenditures</b>	<b>47,271</b>	<b>3,517</b>	<b>0</b>	<b>0</b>	<b>7,821</b>	<b>1,846</b>	<b>0</b>	<b>8,174</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>552,281</b>	<b>(3,249)</b>	<b>2,844</b>	<b>6,380</b>	<b>(7,821)</b>	<b>(1,846)</b>	<b>6,635</b>	<b>(8,174)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	0	0	0	0	0	0	0	0
Debt Proceeds	0	0	0	0	711,111	167,867	0	0
Payment of Refunded Bonds								
Transfers Out	(674,060)	0	0	(138,967)	0	0	(134,880)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(674,060)</b>	<b>0</b>	<b>0</b>	<b>(138,967)</b>	<b>711,111</b>	<b>167,867</b>	<b>(134,880)</b>	<b>0</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(121,779)</b>	<b>(3,249)</b>	<b>2,844</b>	<b>(132,587)</b>	<b>703,290</b>	<b>166,021</b>	<b>(128,245)</b>	<b>(8,174)</b>
<b>FUND BALANCE JANUARY 1</b>	<b>714,181</b>	<b>0</b>	<b>50,715</b>	<b>132,587</b>	<b>0</b>	<b>0</b>	<b>128,245</b>	<b>0</b>
Prior Period Adjustments								
<b>FUND BALANCE DECEMBER 31</b>	<b>\$ 592,402</b>	<b>\$ (3,249)</b>	<b>\$ 53,559</b>	<b>\$ 0</b>	<b>\$ 703,290</b>	<b>\$ 166,021</b>	<b>\$ 0</b>	<b>\$ (8,174)</b>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, FUND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>PUBLIC WORKS FACILITY CONSTRUCITON</b>	<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>PERMANENT FUND CEMETERY TRUST</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>				
Taxes	\$ 0	\$ 526,530	\$ 0	\$ 2,684,462
Intergovernmental	0	47,539	0	657,090
Charges for services	0	0	0	114,347
Investment earnings	3,685	45,295	36,051	236,071
Special Assessment Payments	0	0	0	32,491
Miscellaneous	0	0	11,896	537,292
<b>Total Revenues</b>	<b>3,685</b>	<b>619,364</b>	<b>47,947</b>	<b>4,261,753</b>
<b>EXPENDITURES</b>				
Current:				
General Government	0	0	0	64
Security of Persons & Property	0	0	0	571,747
Transportation	0	0	0	0
Economic Environment	0	0	0	485,959
Culture & Recreation	0	0	0	1,361,203
Capital Outlay	1,943,642	2,002,604	0	2,158,347
Debt Service				
Principal Retirement	0	0	0	655,000
Interest & other costs	34,821	44,488	0	513,434
<b>Total Expenditures</b>	<b>1,978,463</b>	<b>2,047,092</b>	<b>0</b>	<b>5,745,754</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>(1,974,778)</b>	<b>(1,427,728)</b>	<b>47,947</b>	<b>(1,484,001)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	500,000	500,000	0	2,170,069
Debt Proceeds	3,166,022	4,045,000	0	6,605,000
Payment of Refunded Bonds		0	0	(2,536,452)
Transfers Out	0	(947,907)	0	(1,696,790)
<b>Total Other Financing Sources (Uses)</b>	<b>3,666,022</b>	<b>3,597,093</b>	<b>0</b>	<b>4,541,827</b>
<b>CHANGE IN FUND BALANCE</b>	<b>1,691,244</b>	<b>2,169,365</b>	<b>47,947</b>	<b>3,057,826</b>
<b>FUND BALANCE JANUARY 1</b>	<b>308,934</b>	<b>1,334,662</b>	<b>681,999</b>	<b>4,718,355</b>
Prior Period Adjustments		0		21,343
<b>FUND BALANCE DECEMBER 31</b>	<b>\$ 2,000,178</b>	<b>\$ 3,504,027</b>	<b>\$ 729,946</b>	<b>\$ 7,797,524</b>

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



**CITY OF WENATCHEE, WASHINGTON**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**DECEMBER 31, 2007**

	SOLID WASTE	CEMETERY	TOTAL
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 119,774	\$ 98,491	\$ 218,265
Cash With Fiscal Agent	0	0	0
Investments	0	0	0
Receivables (net of allowance for uncollectibles):			
Accounts	155,281	10,121	165,402
Interest on Investments	0	0	0
Intergovernmental	0	0	0
Due From Other Funds	0	0	0
Interfund Loans Receivable	0	0	0
Inventory of Material and Supplies	0	0	0
Restricted Assets:			
Cash-Revenue Bond Debt Service	0	0	0
Cash-Construction Accounts	0	5,000	5,000
Capital Assets (Net)	0	393,059	393,059
Total Assets	<u>275,055</u>	<u>506,671</u>	<u>781,726</u>
<b>LIABILITIES AND EQUITIES</b>			
<b>LIABILITIES :</b>			
Accounts Payable	122,116	2,747	124,863
Wages and Benefits Payable	0	0	0
Deposits Payable	0	0	0
Compensated Absences - Current	0	0	0
Retainage Payable	0	0	0
Due to Other Governments	0	0	0
Due To Other Funds	0	0	0
Deferred Revenue	0	0	0
Interfund Loans Payable	0	0	0
Non-voted G O Bonds Payable Current	0	0	0
Revenue Bonds Payable - Current	0	0	0
Non-voted G O Bonds Payable Noncurrent	0	0	0
Revenue Bonds Payable - Noncurrent	0	0	0
Compensated Absences - Noncurrent	0	32,651	32,651
Total Liabilities	<u>122,116</u>	<u>35,398</u>	<u>157,514</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	0	393,059	393,059
Restricted for debt service	0	0	0
Restricted for future construction	0	0	0
Unrestricted	152,939	78,214	231,153
Total Net Assets	<u>\$ 152,939</u>	<u>\$ 471,273</u>	<u>\$ 624,212</u>

**COMBINING STATEMENT OF REVENUE EXPENSES AND CHANGES IN NET ASSETS****NON-MAJOR PROPRIETARY FUNDS****FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<b>SOLID WASTE</b>	<b>CEMETERY</b>	<b>TOTAL</b>
<b>OPERATING REVENUES:</b>			
Residential Utility Sales	\$ 1,755,707	\$ 0	\$ 1,755,707
Commercial/Industrial Utility Sales	0	0	0
Connection Fees	0	0	0
Charges for Services	0	195,357	195,357
Miscellaneous	0	3,218	3,218
Total Operating Revenues	1,755,707	198,575	1,954,282
<b>OPERATING EXPENSES:</b>			
Operations and Maintenance	1,461,231	265,348	1,726,579
Contracted Operations	41,500	0	41,500
General Administration	219,052	0	219,052
Depreciation/Amortization	0	7,196	7,196
Total Operating Expenses	1,721,783	272,544	1,994,327
<b>OPERATING INCOME (LOSS)</b>	33,924	(73,969)	(40,045)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Revenue			
Interest Income	6,221	6,517	12,738
Net Inc(Dec)in Fair Value of Investments	0	0	0
Total Interest Revenue	6,221	6,517	12,738
External Operating Subsidy	0	0	0
Interest Expense & Related Charges	0	0	0
Gain (Loss) on sale of Capital Assets	0	0	0
Non-Operating Revenues Net of Expense	6,221	6,517	12,738
<b>Net Income Before Transfers</b>	40,145	(67,452)	(27,307)
Transfers In (Out)	0	100,791	100,791
<b>CHANGE IN NET ASSETS</b>	40,145	33,339	73,484
<b>NET ASSETS JANUARY 1</b>	112,794	437,934	550,728
Prior Period Adjustment	0	0	0
<b>NET ASSETS DECEMBER 31</b>	<b>\$ 152,939</b>	<b>\$ 471,273</b>	<b>\$ 624,212</b>

**CITY OF WENATCHEE, WASHINGTON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	SOLID WASTE	CEMETERY	TOTAL
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 1,749,685	\$ 193,543	\$ 1,943,228
Cash payments to vendors	(1,724,821)	(97,377)	(1,822,198)
Cash payments to employees	0	(164,516)	(164,516)
Cash payments to other funds	0	0	0
Cash payments for taxes	0	0	0
Other operating revenues	0	3,218	3,218
Net cash provided by operating activities	24,864	(65,132)	(40,268)
<b>Cash Flows From Noncapital Financing Activities:</b>			
Repayment of loans received from other funds	0	0	0
Repayment of loans to other funds	0	0	0
Transfers	0	100,791	100,791
Interest received on loans	0	0	0
Interest paid on loans	0	0	0
Net cash provided by noncapital financing activities	0	100,791	100,791
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	0	(19,306)	(19,306)
Proceeds from issuance interfund debt	0	0	0
Principal repayment on revenue bond maturities	0	0	0
Interest and related costs paid on revenue bonds	0	0	0
Principal repayment of interfund debt	0	0	0
Interest paid on interfund debt	0	0	0
Proceeds from sale of equipment	0	0	0
External Operating Subsidy	0	0	0
Capital contributed by customers	0	0	0
Net cash used for capital and related financing activities	0	(19,306)	(19,306)
<b>Cash Flows From Investing Activities:</b>			
Purchase of Investment Securities	0	0	0
Proceeds from maturities of investment securities	0	0	0
Interest on investments	6,222	6,517	12,739
Transfer of interest from other funds	0	0	0
Net cash provided(used) in investing activities	6,222	6,517	12,739
<b>Net increase (decrease) in cash and cash equivalents</b>	31,086	22,870	53,956
<b>Cash and cash equivalents at beginning of year</b>	88,688	80,621	169,309
<b>Cash and cash equivalents at end of year</b>	\$ 119,774	\$ 103,491	\$ 223,265

**CITY OF WENATCHEE, WASHINGTON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR PROPRIETARY FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	SOLID WASTE	CEMETERY	TOTAL
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
<b>Operating Income (Loss)</b>	\$ 33,924	\$ (73,969)	\$ (40,045)
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	0	7,196	7,196
Change in assets and liabilities:			
(Increase) Decrease Accounts Receivable	(6,022)	(1,812)	(7,834)
(Increase) Decrease Deferred Revenue	0	0	0
(Increase) Decrease Taxes Receivable	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0
(Increase) Decrease Due From Other Governments	0	0	0
(Increase) Decrease Inventory	0	0	0
(Increase) Decrease Prepaid Items	0	0	0
Increase (Decrease) Accounts Payable	(3,038)	219	(2,819)
Increase (Decrease) Payroll Taxes Payable	0	(151)	(151)
Increase (Decrease) Retainage Payable	0	0	0
Increase (Decrease) Deposits Payable	0	0	0
Increase (Decrease) Due to Other Funds	0	0	0
Increase (Decrease) Due to Other Gov'n't	0	0	0
Increase (Decrease) Accrued Employee Leave	0	3,385	3,385
Total Adjustments	(9,060)	8,837	(223)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 24,864</b>	<b>\$ (65,132)</b>	<b>\$ (40,268)</b>

**CITY OF WENATCHEE, WENATCHEE**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2007**

	<b>EQUIPMENT RENTAL/ O &amp; M</b>	<b>SELF INSURANCE</b>	<b>EQUIPMENT RENTAL/ REPLACEMENT</b>	<b>FACILITY MAINTENANCE</b>
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 357,405	\$ 2,654,979	\$ 1,225,171	\$ 258,800
Investments	0	0	0	0
Accounts Receivable	0	0	0	3,747
Inventory of Material and Supplies	17,101	0	0	0
Restricted Assets:				
Cash	492,830	0	0	3,765
Total Current Assets	<u>867,336</u>	<u>2,654,979</u>	<u>1,225,171</u>	<u>266,312</u>
Non Current Assets:				
Capital Assets (Net)	494,006	0	2,162,021	0
Unamortized Bond Discount	0	0	0	0
Total Non Current Assets	<u>494,006</u>	<u>0</u>	<u>2,162,021</u>	<u>0</u>
Total Assets	<u>1,361,342</u>	<u>2,654,979</u>	<u>3,387,192</u>	<u>266,312</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	25,062	37,921	122,400	96,560
Retainage Payable	0	0	0	3,963
Compensated Absences - Current	0	0	0	0
Claims and Judgements Payable	0	100,000	0	0
Nonvoted G O Bonds Payable - Current	0	0	0	0
Total Current Liabilities	<u>25,062</u>	<u>137,921</u>	<u>122,400</u>	<u>100,523</u>
Non Current Liabilities				
Nonvoted G O Bonds Payable	0	0	0	0
Compensated Absences	13,481	0	0	19,131
Total Non Current Liabilities	<u>13,481</u>	<u>0</u>	<u>0</u>	<u>19,131</u>
Total Liabilities	<u>38,543</u>	<u>137,921</u>	<u>122,400</u>	<u>119,654</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	494,006	0	2,162,021	0
Restricted	0	0	0	3,765
Unrestricted	828,793	2,517,058	1,102,771	142,893
Total Net Assets	<u>\$ 1,322,799</u>	<u>\$ 2,517,058</u>	<u>\$ 3,264,792</u>	<u>\$ 146,658</u>

**CITY OF WENATCHEE, WENATCHEE  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2007**

DATA PROCESSING	TOTAL
\$ 344,596	\$ 4,840,951
0	0
0	3,747
0	17,101
21,569	518,164
<u>366,165</u>	<u>5,379,963</u>
352,395	3,008,422
0	0
<u>352,395</u>	<u>3,008,422</u>
<u>718,560</u>	<u>8,388,385</u>
60,366	342,309
0	3,963
0	0
0	100,000
0	0
<u>60,366</u>	<u>446,272</u>
0	0
<u>32,565</u>	<u>65,177</u>
<u>32,565</u>	<u>65,177</u>
<u>92,931</u>	<u>511,449</u>
352,395	3,008,422
21,569	25,334
251,665	4,843,180
<u>\$ 625,629</u>	<u>\$ 7,876,936</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS****INTERNAL SERVICE FUNDS****FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<b>EQUIPMENT RENTAL/ O &amp; M</b>	<b>SELF INSURANCE</b>	<b>EQUIPMENT RENTAL/ REPLACEMENT</b>	<b>FACILITY MAINTENANCE</b>
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 874,224	\$ 1,074,216	\$ 424,155	\$ 309,817
Miscellaneous	1,144	15,071	15,599	6,666
<b>Total Operating Revenues</b>	<b>875,368</b>	<b>1,089,287</b>	<b>439,754</b>	<b>316,483</b>
<b>OPERATING EXPENSES:</b>				
Operations and Maintenance	740,479	0	51,432	453,869
Payment of Premiums and Claims	0	736,042	0	0
General Administration	0	1,884	0	0
Depreciation/Amortization	39,313	0	258,746	0
<b>Total Operating Expenses</b>	<b>779,792</b>	<b>737,926</b>	<b>310,178</b>	<b>453,869</b>
<b>OPERATING INCOME (LOSS)</b>	<b>95,576</b>	<b>351,361</b>	<b>129,576</b>	<b>(137,386)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Revenue	41,761	118,275	66,049	11,137
Gains (Losses) on Capital				
Asset Disposition	0	0	4,739	0
Capital Contributions	0	0	0	0
<b>Non-Operating Revenues Net of Expenses</b>	<b>41,761</b>	<b>118,275</b>	<b>70,788</b>	<b>11,137</b>
Net Income Before Transfers	137,337	469,636	200,364	(126,249)
Transfers In	0	0	333,852	100,000
Transfers Out	0	0	(99,180)	0
<b>NET INCOME</b>	<b>137,337</b>	<b>469,636</b>	<b>435,036</b>	<b>(26,249)</b>
<b>NET ASSETS AT JANUARY 1</b>	<b>1,185,462</b>	<b>2,047,422</b>	<b>2,829,756</b>	<b>172,907</b>
<b>NET ASSETS AT DECEMBER 31</b>	<b>\$ 1,322,799</b>	<b>\$ 2,517,058</b>	<b>\$ 3,264,792</b>	<b>\$ 146,658</b>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS****INTERNAL SERVICE FUNDS****FOR THE PERIOD ENDED DECEMBER 31, 2007**

<b>DATA PROCESSING</b>	<b>TOTAL</b>
\$ 861,108	\$ 3,543,520
726	39,206
<hr/> 861,834	<hr/> 3,582,726
802,194	2,047,974
0	736,042
0	1,884
59,251	357,310
<hr/> 861,445	<hr/> 3,143,210
389	439,516
15,580	252,802
0	4,739
1,118	1,118
<hr/> 16,698	<hr/> 258,659
17,087	698,175
205,110	638,962
0	(99,180)
<hr/> 222,197	<hr/> 1,237,957
403,432	6,638,979
<hr/> <b>\$ 625,629</b>	<hr/> <b>\$ 7,876,936</b>



**CITY OF WENATCHEE, WASHINGTON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<b>EQUIPMENT RENTAL/ O &amp; M</b>	<b>SELF INSURANCE</b>	<b>EQUIPMENT RENTAL/ REPLACEMENT</b>
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers	\$ 874,224	\$ 1,074,216	\$ 424,155
Cash payments to vendors	(542,206)	(708,951)	111,566
Cash payments to employees	(235,736)	0	(32,027)
Other operating revenues	1,144	15,071	23
Net cash provided by operations	<u>97,426</u>	<u>380,336</u>	<u>503,717</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Loans received from other funds	0	0	0
Repayment of loans received from other funds	0	0	0
Loans to other funds	0	0	0
Repayment of loans from other funds	0	0	0
Interest received on short term loans	0	0	0
Interest paid on short term loans	0	0	0
Transfers	0	0	234,672
Net cash provided by noncapital financing activities	<u>0</u>	<u>0</u>	<u>234,672</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	0	0	(822,080)
Proceeds from issuance of Councilmanic Bonds	0	0	0
Interest & related charges on issuance of Bonds	0	0	0
Principal Payment on Bonds	0	0	0
Interest Payment on Bonds	0	0	0
Interest paid on interfund debt	0	0	0
Proceeds from sale of equipment	0	0	21,420
Contributed capital by customers	0	0	0
Net cash used for capital and related financing activities	<u>0</u>	<u>0</u>	<u>(800,660)</u>
<b>Cash Flows From Investing Activities:</b>			
Purchase of Investment Securities	0	0	0
Proceeds from maturities of investment securities	0	0	0
Interest on investments	41,761	118,275	66,049
Net cash provided (used) in investing activities	<u>41,761</u>	<u>118,275</u>	<u>66,049</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>139,187</b>	<b>498,611</b>	<b>3,778</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>711,046</b>	<b>2,156,368</b>	<b>1,221,393</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 850,233</u></b>	<b><u>\$ 2,654,979</u></b>	<b><u>\$ 1,225,171</u></b>

**CITY OF WENATCHEE, WASHINGTON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	EQUIPMENT RENTAL/ O & M	SELF INSURANCE	EQUIPMENT RENTAL/ REPLACEMENT
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
<b>Operating Income (Loss)</b>	\$ 95,576	\$ 351,361	\$ 129,576
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	39,313	0	258,746
Change in assets and liabilities:			
(Increase) Decrease Accounts Receivable	0	0	0
(Increase) Decrease Due From Other Funds	0	0	0
(Increase) Decrease Due From Other Governments	0	0	0
(Increase) Decrease Inventory	(3,496)	0	0
(Increase) Decrease Prepaid Items	0	0	0
Increase (Decrease) Vouchers Payable	(1,166)	28,975	115,395
Increase (Decrease) Wages Payable	(330)	0	0
Increase (Decrease) Due to Other Funds	0	0	0
Increase (Decrease) Accrued Employee Leave	(32,471)	0	0
Total Adjustments	1,850	28,975	374,141
Net Cash Provided by Operating Activities	\$ 97,426	\$ 380,336	\$ 503,717

**CITY OF WENATCHEE, WASHINGTON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2007**

	FACILITY MAINTENANCE	DATA PROCESSING	TOTAL
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers	\$ 306,671	\$ 861,108	\$ 3,540,374
Cash payments to vendors	(152,363)	(409,786)	(1,701,740)
Cash payments to employees	(185,938)	(336,602)	(790,303)
Other operating revenues	6,666	726	23,630
Net cash provided by operations	(24,964)	115,446	1,071,961
<b>Cash Flows From Noncapital Financing Activities:</b>			
Loans received from other funds	0	0	0
Repayment of loans received from other funds	0	0	0
Loans to other funds	0	0	0
Repayment of loans from other funds	0	0	0
Interest received on short term loans	0	0	0
Interest paid on short term loans	0	0	0
Transfers	100,000	205,110	539,782
Net cash provided by noncapital financing activities	100,000	205,110	539,782
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	0	(214,158)	(1,036,238)
Proceeds from issuance of Councilmanic Bonds	0	0	0
Interest & related charges on issuance of Bonds	0	0	0
Principal Payment on Bonds	0	0	0
Interest Payment on Bonds	0	0	0
Interest paid on interfund debt	0	0	0
Proceeds from sale of equipment	0	0	21,420
Contributed capital by customers	0	1,118	1,118
Net cash used for capital and related financing activities	0	(213,040)	(1,013,700)
<b>Cash Flows From Investing Activities:</b>			
Purchase of Investment Securities	0	0	0
Proceeds from maturities of investment securities	0	0	0
Interest on investments	11,137	15,580	252,802
Net cash provided (used) in investing activities	11,137	15,580	252,802
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>86,173</b>	<b>123,096</b>	<b>850,845</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>176,393</b>	<b>243,070</b>	<b>4,508,270</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 262,566</b>	<b>\$ 366,166</b>	<b>\$ 5,359,115</b>

**CITY OF WENATCHEE, WASHINGTON  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE PERIOD ENDED DECEMBER 31, 2007**

	<b>FACILITY MAINTENANCE</b>	<b>DATA PROCESSING</b>	<b>TOTAL</b>
<b>RECONCILLIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
<b>Operating Income (Loss)</b>	\$ (137,386)	\$ 389	\$ 439,516
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation	0	59,251	357,310
Change in assets and liabilities:			
(Increase) Decrease Accounts Receivable	(3,146)	0	(3,146)
(Increase) Decrease Due From Other Funds	0	0	0
(Increase) Decrease Due From Other Governments	0	0	0
(Increase) Decrease Inventory	0	0	(3,496)
(Increase) Decrease Prepaid Items	0	0	0
Increase (Decrease) Vouchers Payable	96,437	50,916	290,557
Increase (Decrease) Wages Payable	0	0	(330)
Increase (Decrease) Due to Other Funds	0	0	0
Increase (Decrease) Accrued Employee Leave	19,131	4,890	(8,450)
Total Adjustments	112,422	115,057	632,445
Net Cash Provided by Operating Activities	\$ (24,964)	\$ 115,446	\$ 1,071,961

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL PUBLIC ART SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Interest	\$ 2,000	\$ 3,665	\$ 3,604	\$ (61)
Miscellaneous	40,000	70,480	27,314	(43,166)
Total Revenues	<u>42,000</u>	<u>74,145</u>	<u>30,918</u>	<u>(43,227)</u>
<b>EXPENDITURES</b>				
Culture & Recreation	11,500	12,867	12,971	(104)
Capital Outlay	30,500	22,406	22,406	0
Total Expenditures	<u>42,000</u>	<u>35,273</u>	<u>35,377</u>	<u>(104)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	0	38,872	(4,459)	(43,331)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	0	38,872	(4,459)	(43,331)
<b>FUND BALANCE JANUARY 1,</b>	<u>71,706</u>	<u>71,706</u>	<u>71,706</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 71,706</u>	<u>\$ 110,578</u>	<u>\$ 67,247</u>	<u>\$ (43,331)</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL PATHS AND TRAILS SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 2,605	\$ 2,605	\$ 2,527	\$ (78)
Interest	500	500	834	334
Miscellaneous	0	0	0	0
Total Revenues	<u>3,105</u>	<u>3,105</u>	<u>3,361</u>	<u>256</u>
<b>EXPENDITURES</b>				
Culture & Recreation	4,000	4,000	0	4,000
Capital Outlay	0	0	0	0
Total Expenditures	<u>4,000</u>	<u>4,000</u>	<u>0</u>	<u>4,000</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	(895)	(895)	3,361	4,256
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	(895)	(895)	3,361	4,256
<b>FUND BALANCE JANUARY 1,</b>	<u>14,176</u>	<u>14,176</u>	<u>14,176</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31, \$</b>	<u><u>13,281</u></u>	<u><u>13,281</u></u>	<u><u>17,537</u></u>	<u><u>4,256</u></u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL TOURISM PROMOTIONAL AREA SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Taxes	\$ 0	\$ 176,200	\$ 186,112	\$ 9,912
Interest	0	400	0	(400)
Miscellaneous	0	0	0	0
Total Revenues	<u>0</u>	<u>176,600</u>	<u>186,112</u>	<u>9,512</u>
<b>EXPENDITURES</b>				
Culture & Recreation	0	176,600	186,112	(9,512)
Capital Outlay	0	0	0	0
Debt Service:				
Interest	0	0	0	0
Total Expenditures	<u>0</u>	<u>176,600</u>	<u>186,112</u>	<u>(9,512)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	0	0	0	0
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	0	0	0	0
<b>FUND BALANCE JANUARY 1,</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL HOTEL/MOTEL TAX-60% CAPITAL SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 223,324	\$ 23,324
Intergovernmental	0	0	0	0
Interest	1,000	1,000	5,989	4,989
Total Revenues	<u>201,000</u>	<u>201,000</u>	<u>229,313</u>	<u>28,313</u>
<b>EXPENDITURES</b>				
Culture & Recreation	0	0	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Interest	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	201,000	201,000	229,313	28,313
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers Out	(185,586)	(252,765)	(249,175)	3,590
Total Other Financing Sources (Uses)	<u>(185,586)</u>	<u>(252,765)</u>	<u>(249,175)</u>	<u>3,590</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	15,414	(51,765)	(19,862)	31,903
<b>FUND BALANCE JANUARY 1,</b>	51,765	51,765	51,765	0
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 67,179</u>	<u>\$ 0</u>	<u>\$ 31,903</u>	<u>\$ 31,903</u>



**CITY OF WENATCHEE, WASHINGTON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**NON-MAJOR GOVERNMENTAL CONVENTION CENTER SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Taxes	\$ 360,000	\$ 422,000	\$ 464,876	\$ 42,876
Interest	15,000	15,000	11,171	(3,829)
Miscellaneous	176,000	176,000	199,965	23,965
Total Revenues	<u>551,000</u>	<u>613,000</u>	<u>676,012</u>	<u>63,012</u>
<b>EXPENDITURES</b>				
Culture & Recreation	359,313	359,313	415,791	(56,478)
Capital Outlay	75,000	75,000	28,797	46,203
Debt Service:				
Interest	0	0	0	0
Total Expenditures	<u>434,313</u>	<u>434,313</u>	<u>444,588</u>	<u>(10,275)</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	116,687	178,687	231,424	52,737
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	185,586	252,765	249,175	(3,590)
Transfers Out	(324,229)	(324,229)	(324,229)	0
Capital Asset Disposition	0	0	0	0
Total Other Financing Sources (Uses)	<u>(138,643)</u>	<u>(71,464)</u>	<u>(75,054)</u>	<u>(3,590)</u>
<b>Excess (Deficiency) of Revenues and</b>				
<b>Other Sources Over (Under)</b>				
<b>Expenditures and Other Uses</b>	(21,956)	107,223	156,370	49,147
<b>FUND BALANCE JANUARY 1,</b>	<u>311,781</u>	<u>311,781</u>	<u>311,781</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 289,825</u>	<u>\$ 419,004</u>	<u>\$ 468,151</u>	<u>\$ 49,147</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL HOTEL/MOTEL 40% TOURISM SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Taxes	\$ 310,000	\$ 372,000	\$ 395,634	\$ 23,634
Interest	2,500	2,500	2,711	211
Miscellaneous	0	0	0	0
Total Revenues	<u>312,500</u>	<u>374,500</u>	<u>398,345</u>	<u>23,845</u>
<b>EXPENDITURES</b>				
Culture & Recreation	310,000	372,000	395,634	(23,634)
Capital Outlay	0	0	0	0
Debt Service:				
Interest	0	0	0	0
Total Expenditures	<u>310,000</u>	<u>372,000</u>	<u>395,634</u>	<u>(23,634)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	2,500	2,500	2,711	211
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	2,500	2,500	2,711	211
<b>FUND BALANCE JANUARY 1,</b>	<u>22,935</u>	<u>22,935</u>	<u>22,935</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 25,435</u>	<u>\$ 25,435</u>	<u>\$ 25,646</u>	<u>\$ 211</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL LEOFF 1 LONG-TERM CARE SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0
Interest	28,000	28,000	24,432	(3,568)
Miscellaneous	0	0	0	0
<b>Total Revenues</b>	<u>28,000</u>	<u>28,000</u>	<u>24,432</u>	<u>(3,568)</u>
<b>EXPENDITURES</b>				
Security of Persons & Property	120,000	120,000	119,022	978
Capital Outlay	0	0	0	0
Debt Service:				
Interest	0	0	0	0
<b>Total Expenditures</b>	<u>120,000</u>	<u>120,000</u>	<u>119,022</u>	<u>978</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(92,000)	(92,000)	(94,590)	(2,590)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	120,000	120,000	120,000	0
Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	28,000	28,000	25,410	(2,590)
<b>FUND BALANCE JANUARY 1,</b>	<u>460,301</u>	<u>460,301</u>	<u>460,301</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 488,301</u>	<u>\$ 488,301</u>	<u>\$ 485,711</u>	<u>\$ (2,590)</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL STREET OVERLAY SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Taxes	\$ 500,000	\$ 540,000	\$ 522,367	\$ (17,633)
Intergovernmental	0	0	0	0
Interest	32,000	32,000	38,465	6,465
Miscellaneous	0	0	0	0
<b>Total Revenues</b>	<b>532,000</b>	<b>572,000</b>	<b>560,832</b>	<b>(11,168)</b>
<b>EXPENDITURES</b>				
Transportation	0	0	0	0
Capital Outlay	400,000	273,000	59,455	213,545
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Debt Issue Costs	0	0	0	0
<b>Total Expenditures</b>	<b>400,000</b>	<b>273,000</b>	<b>59,455</b>	<b>213,545</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>132,000</b>	<b>299,000</b>	<b>501,377</b>	<b>202,377</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	0	0	0	0
Transfers (Out)	0	(150,000)	(150,000)	0
General Obligation Bond Proceeds	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(150,000)</b>	<b>(150,000)</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>132,000</b>	<b>149,000</b>	<b>351,377</b>	<b>202,377</b>
<b>FUND BALANCE JANUARY 1,</b>	<b>593,662</b>	<b>593,662</b>	<b>593,662</b>	<b>0</b>
<b>FUND BALANCE DECEMBER 31,</b>	<b>\$ 725,662</b>	<b>\$ 742,662</b>	<b>\$ 945,039</b>	<b>\$ 202,377</b>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL ICE ARENA SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Charges for Services	\$ 39,650	\$ 82,500	\$ 114,347	\$ 31,847
Interest	1,500	1,500	12,975	11,475
Miscellaneous	82,000	162,000	153,136	(8,864)
Total Revenues	<u>123,150</u>	<u>246,000</u>	<u>280,458</u>	<u>34,458</u>
<b>EXPENDITURES</b>				
Culture and Recreation	121,368	225,857	229,795	(3,938)
Capital Outlay	0	0	0	0
Total Expenditures	<u>121,368</u>	<u>225,857</u>	<u>229,795</u>	<u>(3,938)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	1,782	20,143	50,663	30,520
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	1,782	20,143	50,663	30,520
<b>FUND BALANCE JANUARY 1,</b>	<u>217,012</u>	<u>217,012</u>	<u>217,012</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 218,794</u>	<u>\$ 237,155</u>	<u>\$ 267,675</u>	<u>\$ 30,520</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL HOUSING REHABILITATION SPECAIL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Intergovernmental	\$ 257,000	\$ 225,130	\$ 219,802	\$ (5,328)
Interest	6,000	7,500	8,532	1,032
Miscellaneous	0	0	19,258	19,258
Total Revenues	<u>263,000</u>	<u>232,630</u>	<u>247,592</u>	<u>14,962</u>
<b>EXPENDITURES</b>				
Economic Environment	347,000	376,464	274,406	102,058
Capital Outlay	0	0	0	0
Total Expenditures	<u>347,000</u>	<u>376,464</u>	<u>274,406</u>	<u>102,058</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(84,000)	(143,834)	(26,814)	117,020
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	(84,000)	(143,834)	(26,814)	117,020
<b>FUND BALANCE JANUARY 1,</b>	<u>192,914</u>	<u>192,914</u>	<u>192,914</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 108,914</u>	<u>\$ 49,080</u>	<u>\$ 166,100</u>	<u>\$ 117,020</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL COMMUNITY CENTER OPERATIONS SPECIALL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0
Interest	5,000	5,000	12,811	7,811
Miscellaneous	58,100	58,100	77,498	19,398
Total Revenues	63,100	63,100	90,309	27,209
<b>EXPENDITURES</b>				
Culture and Recreation	84,047	84,047	120,900	(36,853)
Capital Outlay	0	0	0	0
Total Expenditures	84,047	84,047	120,900	(36,853)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	(20,947)	(20,947)	(30,591)	(9,644)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	33,916	33,916	8,702	(25,214)
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	33,916	33,916	8,702	(25,214)
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	12,969	12,969	(21,889)	(34,858)
<b>FUND BALANCE JANUARY 1,</b>	<u>247,018</u>	<u>247,018</u>	<u>247,018</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 259,987</u>	<u>\$ 259,987</u>	<u>\$ 225,129</u>	<u>\$ (34,858)</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL CDBG ENTITLEMENT SPECAIL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Intergovernmental	\$ 552,500	\$ 552,500	\$ 114,427	\$ (438,073)
Interest	0	0	0	0
Miscellaneous	0	0	48,225	48,225
<b>Total Revenues</b>	<b>552,500</b>	<b>552,500</b>	<b>162,652</b>	<b>(389,848)</b>
<b>EXPENDITURES</b>				
Economic Environment	117,984	272,984	70,469	202,515
Capital Outlay	434,516	279,516	45,085	234,431
<b>Total Expenditures</b>	<b>552,500</b>	<b>552,500</b>	<b>115,554</b>	<b>436,946</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	0	0	47,098	47,098
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	0
Transfers Out	(33,916)	(33,916)	(9,111)	24,805
<b>Total Other Financing Sources (Uses)</b>	<b>(33,916)</b>	<b>(33,916)</b>	<b>(9,111)</b>	<b>24,805</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	(33,916)	(33,916)	37,987	71,903
<b>FUND BALANCE JANUARY 1,</b>	<b>12,111</b>	<b>12,111</b>	<b>12,111</b>	<b>0</b>
<b>FUND BALANCE DECEMBER 31,</b>	<b>\$ (21,805)</b>	<b>\$ (21,805)</b>	<b>\$ 50,098</b>	<b>\$ 71,903</b>



**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL LEOFF 1 HEALTH CARE SPECAIL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0
Interest	12,000	12,000	16,142	4,142
Miscellaneous	0	0	0	0
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>16,142</u>	<u>4,142</u>
<b>EXPENDITURES</b>				
Security of Persons & Property	580,000	580,000	452,725	127,275
Capital Outlay	0	0	0	0
Total Expenditures	<u>580,000</u>	<u>580,000</u>	<u>452,725</u>	<u>127,275</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	(568,000)	(568,000)	(436,583)	131,417
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	580,000	580,000	580,000	0
Transfers	0	0	0	0
Total Other Financing Sources (Uses)	<u>580,000</u>	<u>580,000</u>	<u>580,000</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	12,000	12,000	143,417	131,417
<b>FUND BALANCE JANUARY 1,</b>	<u>229,431</u>	<u>229,431</u>	<u>229,431</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 241,431</u>	<u>\$ 241,431</u>	<u>\$ 372,848</u>	<u>\$ 131,417</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL HOMELESS FUNDS SPECAIL REVENUE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Intergovernmental	\$ 175,000	\$ 200,000	\$ 272,795	\$ 72,795
Interest	0	9,000	12,076	3,076
Miscellaneous	0	0	0	0
<b>Total Revenues</b>	<b>175,000</b>	<b>209,000</b>	<b>284,871</b>	<b>75,871</b>
<b>EXPENDITURES</b>				
Economic Environment	145,000	111,250	141,084	(29,834)
Capital Outlay	0	0	0	0
<b>Total Expenditures</b>	<b>145,000</b>	<b>111,250</b>	<b>141,084</b>	<b>(29,834)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>30,000</b>	<b>97,750</b>	<b>143,787</b>	<b>46,037</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	0
Transfers	(10,500)	(12,000)	(16,368)	(4,368)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,500)</b>	<b>(12,000)</b>	<b>(16,368)</b>	<b>(4,368)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>19,500</b>	<b>85,750</b>	<b>127,419</b>	<b>41,669</b>
<b>FUND BALANCE JANUARY 1,</b>	<b>189,970</b>	<b>189,970</b>	<b>189,970</b>	<b>0</b>
Prior period correction			21,343	21,343
<b>FUND BALANCE DECEMBER 31,</b>	<b>\$ 209,470</b>	<b>\$ 275,720</b>	<b>\$ 338,732</b>	<b>\$ 63,012</b>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL UTGO BONDS  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Property Taxes	\$ 365,465	\$ 365,465	\$ 365,619	\$ 154
Interest	0	0	0	0
Total Revenues	<u>365,465</u>	<u>365,465</u>	<u>365,619</u>	<u>154</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	195,000	195,000	195,000	0
Interest	170,465	170,465	170,465	0
Total Expenditures	<u>365,465</u>	<u>365,465</u>	<u>365,465</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	0	0	154	154
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	0
Transfer out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	0	0	154	154
<b>FUND BALANCE JANUARY 1,</b>	<u>(14,647)</u>	<u>(14,647)</u>	<u>(14,647)</u>	<u>0</u>
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ (14,647)</u>	<u>\$ (14,647)</u>	<u>\$ (14,493)</u>	<u>\$ 154</u>

**CITY OF WENATCHEE, WASHINGTON  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE-BUDGET AND ACTUAL  
 NON-MAJOR GOVERNMENTAL LTGO BONDS  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Interest	0	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	440,000	440,000	440,000	0
Interest	272,192	272,192	291,875	(19,683)
Total Expenditures	<u>712,192</u>	<u>712,192</u>	<u>731,875</u>	<u>(19,683)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	(712,192)	(712,192)	(731,875)	(19,683)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	712,192	712,192	712,192	0
Proceeds of debt issues			2,560,000	2,560,000
Payment of refunded debt			(2,536,452)	(2,536,452)
Transfer out	0	0	0	0
Total Other Financing Sources (Uses)	<u>712,192</u>	<u>712,192</u>	<u>735,740</u>	<u>23,548</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>				
	0	0	3,865	3,865
<b>FUND BALANCE JANUARY 1,</b>	15,581	15,581	15,581	0
<b>FUND BALANCE DECEMBER 31,</b>	<u>\$ 15,581</u>	<u>\$ 15,581</u>	<u>\$ 19,446</u>	<u>\$ 3,865</u>