

CITY OF WALLA WALLA
WASHINGTON

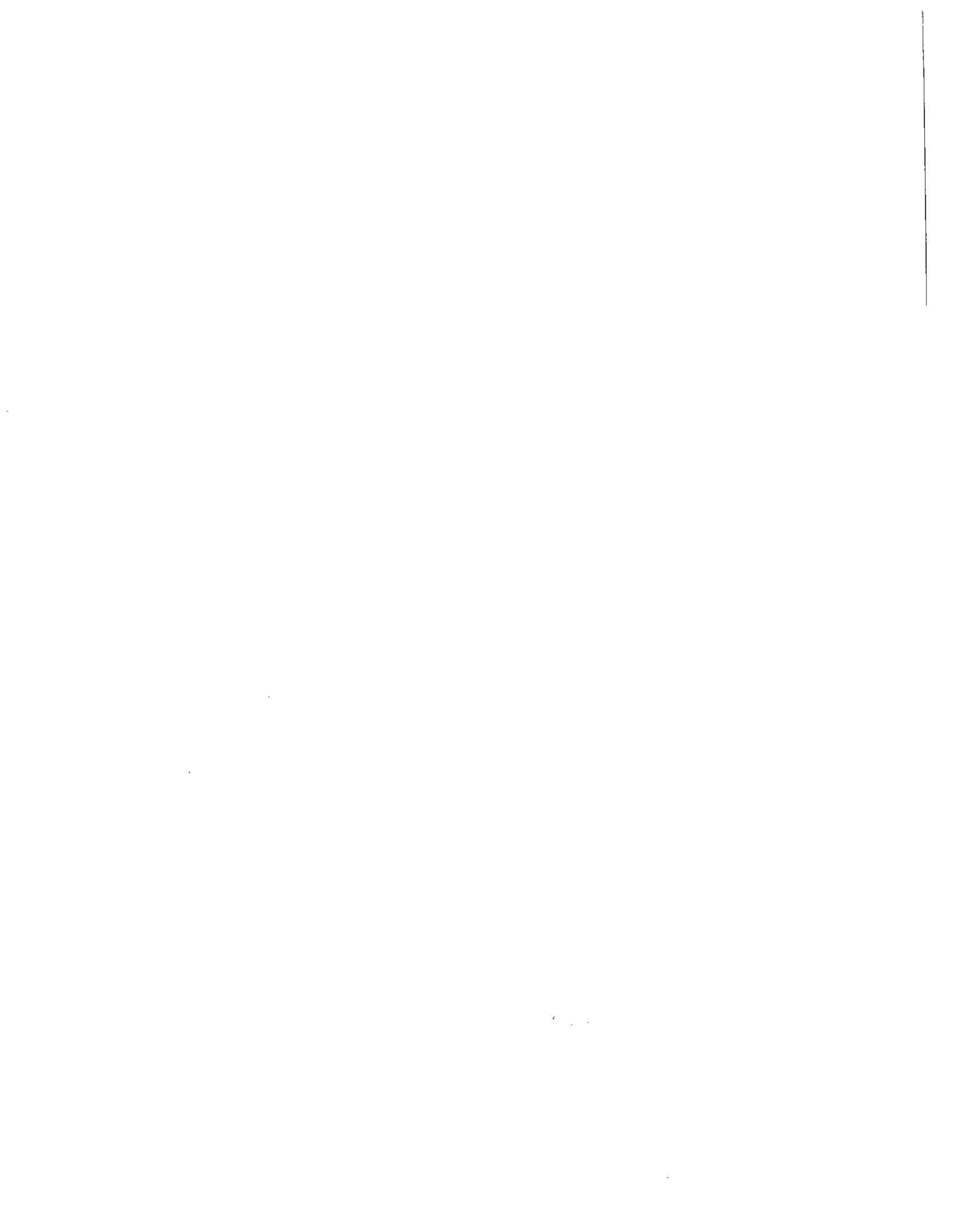
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

December 31, 2009

Prepared by:

Support Services Department



City of Walla Walla
Comprehensive Annual Financial Report
 For the Fiscal Year Ended December 31, 2009

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

INTRODUCTORY SECTION

June 22, 2010

To the Honorable Mayor, Members of the Council, and Citizens of the City of Walla Walla:

State law requires that within 150 days of the close of each fiscal year all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. Pursuant to that requirement, we filed initial statements with the State Auditor's Office and are hereby issuing a finalized and audited comprehensive annual financial report of the City of Walla Walla for the fiscal year ended December 31, 2009.

This report consists of management's representations concerning the finances of the City of Walla Walla. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of the City of Walla Walla has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Walla Walla financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Walla Walla's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Walla Walla financial statements have been audited by the State's Auditor's Office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Walla Walla for the fiscal year ended December 31, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Walla Walla financial statements for the fiscal year ended December 31, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Walla Walla's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1862, is located in the southeastern section of the State, six miles north of the Washington-Oregon border, 271 miles southeast of the City of Seattle and 158 miles south of the City of Spokane. The City encompasses an area of approximately 10.9 square miles and is the largest city and the county seat of Walla Walla County. The City's population is 31,610.

The City operates under the council-manager form of government. A seven-member City Council is the legislative body of the City and establishes and controls policy for the City. Council members are elected on a non-partisan at-large basis to staggered four-year terms by the qualified electors of the City. The City Council elects one of its members to serve as Mayor for a two-year term. The City Manager is appointed by the City Council to act as the City's chief executive officer. The City Manager is responsible for carrying out the policies and ordinances of the governing council; for overseeing the day-to-day operations of the government; and for appointing the heads of the various departments.

The City of Walla Walla is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing advisory boards and commissions.

The City of Walla Walla provides a full range of services, including police and fire protection; ambulance services; the construction and maintenance of streets and other infrastructure; recreational and library services; parks; water, wastewater, sanitation, storm water, and landfill utilities; a golf course; and a cemetery.

The biennial budget served as the foundation for the City of Walla Walla's financial planning and control in 2009. All departments of the City of Walla Walla are required to submit requests for appropriation to the City Manager in early August of the year preceding the biennium. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to October 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of Walla Walla's fiscal year. The appropriated budget is adopted by fund. The City Manager may authorize the transfer of appropriations within a department. Transfers of appropriations between funds and amendments to appropriations, however, require the special approval of the governing council. Budget-to-actual comparisons are provided in this report for each major governmental fund for which an appropriated biennial budget has been adopted. For the general fund, this comparison is presented on page 36 as part of the basic financial statements for the governmental funds.

Local economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Walla Walla operates.

The economy of the City is based on a mix of agriculture and related agri-business, various manufacturing firms, higher education, health care, trade, tourism and government. It serves as a regional hub for health care and higher education. Its economic base continues to diversify from its historical dependence on agriculture to other major employers.

Agriculture

The City is located in one of the primary agriculture-producing regions of the state and lies on the eastern edge of the Columbia and Snake River basins in southeastern Washington. As a regional center, the City serves as the marketing, trading and educational hub for over 50,000 people in southeastern Washington and northeastern Oregon. The County has approximately two-thirds of its acreage classified as suitable for the growing of grain, green peas and other specialty crops. Approximately 16 percent of the 587,600 acres of tillable land in the County is irrigated.

The County's most important commercial crop is wheat, and it ranks among the top in the state in the crop's production. Other significant local crops include asparagus, spinach, potatoes, green peas, alfalfa hay, barley, corn, wine grapes, string and lima beans, and Walla Walla sweet onions. Over the last few years, the total value of fruits in the County has increased due to the expansion of apple orchards and vineyards. Grape vineyards and wineries comprise an important and growing industry in the County. There are over 100 wineries and over 1,500 acres of planted vineyards in the area. The wineries employ approximately 200 permanent, year round employees and the economic impact of the wine industry in the area is estimated at more than \$100 million annually.

Food Processing and Manufacturing

The primary livestock farming activity in the County is beef cattle production. Headquartered in Springdale, Arkansas, Tyson Foods, Inc. (formerly Iowa Beef Packing (IBP)) operates a large beef packing plant in Wallula, 35 miles from the City. Simplot Feeders operates large beef cattle feed lots in the County. Broetje Orchards is among the larger orchards in the County, with between 1,164 and 2,798 (seasonal) people employed in the growing, packing, and shipping of apples. Cliffstar, which produces fruit juices sold by grocery chains under store labels, entered into a lease of the former AgriFrozen Foods facility, owned by the Port of Walla Walla in 2002. Key Technology produces automated optical sorting and quality management equipment for the food processing industry, serving major domestic and international customers and employs approximately 467 full-time employees. Nelson Irrigation Corporation manufactures agricultural and turf irrigation equipment and currently employs approximately 180 people. Boise Inc., formerly Boise Cascade, planted 20,000 acres of hybrid cottonwood trees in nearby Wallula, which will be used to produce a higher quality paper at their Boise Cascade's Wallula location.

Health Care

The City serves as a health care center for southeastern Washington and northeastern Oregon. Facilities include a U.S. Veterans Administration Medical Center, Providence St. Mary Medical Center and Walla Walla General Hospital. Complete diagnostic and treatment services, as well as emergency and trauma care, are provided at these facilities.

Government

The City is the location of several major government installations including the U.S. Army Corps of Engineers' district headquarters which administers programs in portions of six states; the Washington State Penitentiary, the largest non-manufacturing employer in the City; the U.S. Veterans Administration Hospital and Medical Center previously mentioned which is planning a major facilities upgrade; and the Bonneville Power Administration, another local federal government employer.

Higher Education

The City is home to two institutions of higher learning, Whitman College, the oldest institution of higher learning in the state, and Walla Walla Community College, a two-year state college. Walla Walla University is located next door in College Place.

Retail

The City in partnership with the business community developed a revision of the 1989 Downtown Master Plan. That previous plan led to over \$50 million in reinvestment in the downtown. The current plan was adopted in late 2004 and serves to further enhance and improve the Walla Walla downtown, which was recognized in 2001 as a Great American Main Street Award winner. The continuing development of downtown envisions premium wine shops, fine dining and lodging, and an artists quarter coupled with an active retail core which is supported by a solid employment base and downtown residences.

Blue Mountain Mall, which opened in 1989, is a regional retail center serving southeast Washington, northeast Oregon and southwest Idaho. Home Depot, a national home improvement chain, has recently opened an 110,000 square foot store in College Place, adjacent to the Blue Mountain Mall. The Mall itself is undergoing a major renovation which has been delayed due to the credit market.

Tourism

Tourism, largely spawned by the growing wine industry and enhanced by the interest in heritage and recreational tourism, has become a significant industry for Walla Walla. The lodging and other related industries have grown significantly in the last several years adding further diversity to the local economy.

Long-term financial planning

The City of Walla Walla has endeavored to strategically plan for its financial future with flexible responsiveness in mind, thereby positioning itself to react in an effective way to the sometimes unpredictable and dynamic demands and limitations that present themselves to public agencies. In general, government evidences itself in the utilization of diverse funding sources in the form of taxes and fees to fund public safety, community programs and streets. In the enterprise funds, planning looks ahead twenty or more years to anticipate growth trends; infrastructure renewal and expansion; and unfunded mandates. For example, the City is raising Stormwater fee rates in its plan for implementation of the Eastern Washington Stormwater Management Plan, an unfunded mandate.

In 2007 the City carried out a feasibility study for a new police station. In 2008 the City selected a site; and in 2009 the voters approved funding in the form of an associated bond issuance. Construction is scheduled to begin in 2010.

The landfill operation continues to grow and diversify with the addition of a temporary composting facility in 2007 followed by planning for a permanent facility in 2008 and construction of that facility in 2009 with funding for the most part from state grants. The new compost facility is open, accepting green waste and selling compost products. A new lined cell was completed at the landfill in May of 2009. Also, the closure of Area 6 began in 2009. The City bid out its curbside recycling service in 2008 and entered into a contract for that service in 2009 with service beginning in 2010.

The City is also actively participating in community efforts aimed at economic development, cooperating with the Port of Walla Walla and Walla Walla County as well as community groups such as the Walla Walla Valley Chamber of Commerce and the Downtown Walla Walla Foundation.

The City continues to fund minor street overlay and repair projects, scheduling such work on an annual basis. The City partnered with Walla Walla County and the City of College Place to complete in 2008 the extension of Myra Road to the north to junction with Highway 12, the major east-west route which is undergoing widening to four lanes from Walla Walla to the Tri-Cities. Additionally, the City is partnering with the City of College Place to improve the access from State Route 125 to Myra Road, primarily with grant funding. In 2009 the City initiated plans for a major infrastructure renewal plan aimed at replacing and repairing aging utility infrastructure including water and wastewater pipes; stormwater features; and street paving. This multi-year, ongoing program of renewal will be funded with rate revenues and other funds.

The City successfully seeks public and private partnerships to leverage available resources; to acquire public and private funds, both grants and loans; to support legislation that provides more flexibility and effectiveness to municipal governments; and to maximize the productive use of all its resources. In 2008 the City along with its partners initiated the Innovative Partnership Zone program funded in large part with a \$750,000 state grant from the state's Center for Trade and Economic Development. This zone includes public and private partners such as Walla Walla Community College, Port of Walla Walla, City of Walla Walla, Nelson Irrigation and others who are working together using public and private money to develop new marketable technologies, enhancing the local economy through innovation. That partnership continued in 2009 and includes plans for extension of high-speed internet access to zone partners.

Cash management policies and practices

The City invests its available funds pursuant to an investment policy that emphasizes preserving principal, maintaining necessary liquidity, matching investment maturities to estimated cash flow requirements and achieving maximum yield. Eligible investments include U.S. Treasury bonds, notes, bills or other government obligations of the U.S. Government or agencies of the U.S. Government; interest bearing demand or time deposits issued by certain banks, trust companies or savings and loan associations; fully-secured repurchase agreements; bankers' acceptances having a term of 180 days or less; and the State Investment Pool. The City investment policy also establishes guidelines for diversification of the portfolio relating to maturity, default risk and liquidity risk, as well as performance benchmarks that are reviewed by the City's Investment Committee.

Local Government Investment Pool. The State Treasurer's Office administers the Washington State Local Government Investment Pool (LGIP), which invests money on behalf of more than 350 cities, counties, and special taxing districts. In managing the LGIP, the State Treasurer is required to adhere, at all times, to principles appropriate for the prudent investment of public funds, including, in priority order (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) the attainment of the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

The LGIP, authorized by chapter 43.250 RCW, is a voluntary pool which provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. The pool is restricted to investments with maturities of one year or less, and the average life typically is less than 90 days. Investments permitted under the pool's guideline include U.S. government and agency securities, bankers' acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, motor vehicle fund warrants, and certificates of deposit issued by qualified State depositories.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division and Support Services Department. We would like to express our appreciation to all those who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Walla Walla finances.

Respectfully submitted,

Nabiel Shawa
City Manager

Tim McCarty
Support Services Director

Jean Teasdale, CPA
Finance Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Walla Walla Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

2010 Walla Walla City Council



MAYOR
Barbara Clark
 Term: 4 Years – Expires 12/31/11
 Length of Service – 12 years



MAYOR PRO-TEM
Jim Barrow
 Term: 4 Years – Expires 12/31/13
 Length of Service – 2 years



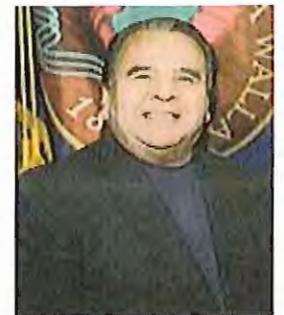
COUNCIL MEMBER
Fred L. Mitchell
 Term: 4 Years – Expires 12/31/11
 Length of Service – 18 years



COUNCIL MEMBER
Dominick Elia
 Term: 4 Years – Expires 12/31/11
 Length of Service – 18 years



COUNCIL MEMBER
Jerry Cummins
 Term: 4 Years – Expires 12/31/11
 Length of Service – 18 years



COUNCIL MEMBER
Conrado V. Cavazos
 Term: 4 Years – Expires 12/31/13
 Length of Service – 0 years
 (First term)



COUNCIL MEMBER
Shane Laib
 Term: 4 Years – Expires 12/31/13
 Length of Service – 4 years

WALLA WALLA SENIOR MANAGEMENT
Appointed Officials

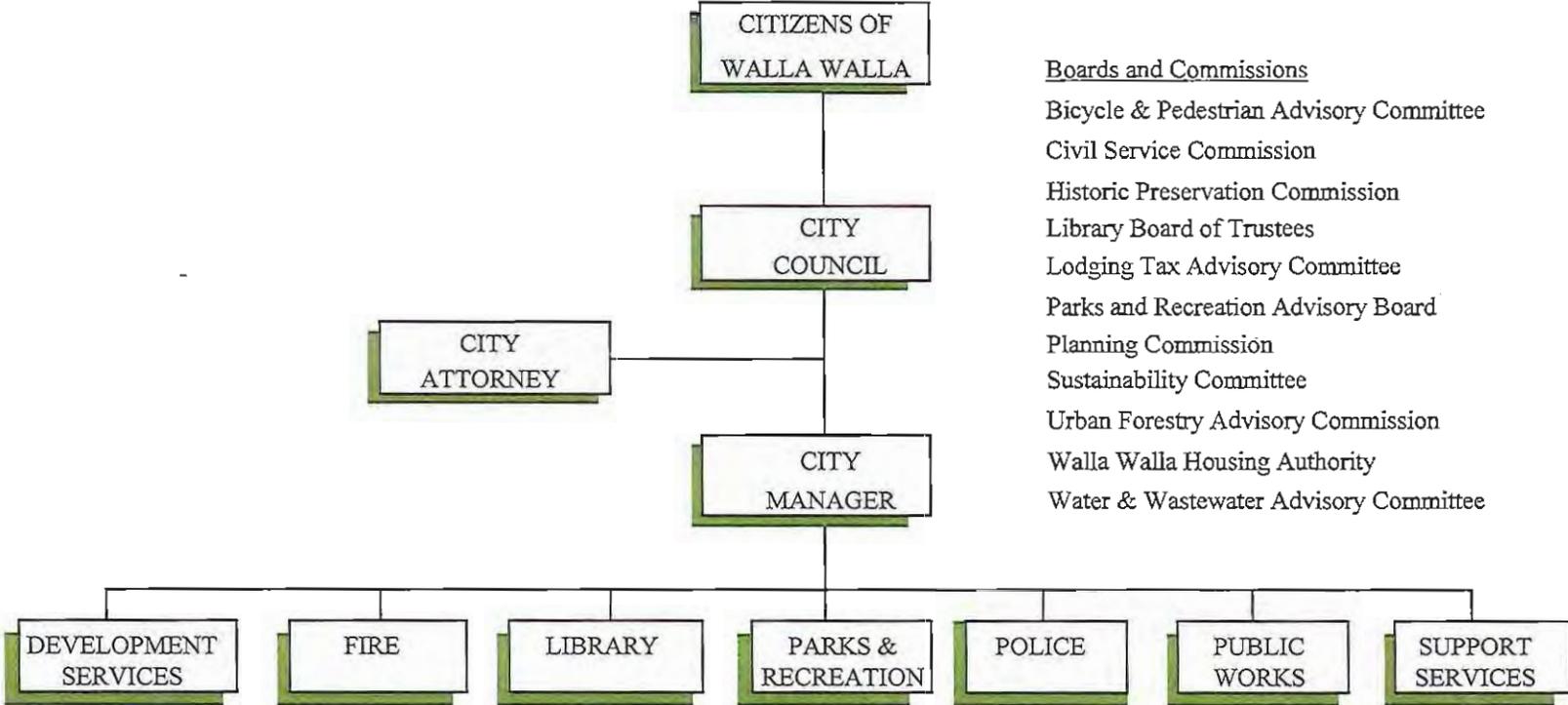


City Manager
Nabil Shawa
 Appointed October, 2009

	<u>Length in Position</u>	<u>Length of Employment</u>
CITY ATTORNEY <i>Tim Donaldson</i>	14 years	14 years
CITY CLERK <i>Kammy Hill</i>	16 years	16 years
DEVELOPMENT SERVICES DIRECTOR <i>Kim Lyonnais</i>	5 years	5 years
FIRE CHIEF <i>Terry Thomas</i>	9 years	31 years
LIBRARY DIRECTOR <i>Martha Van Pelt</i>	13 years	13 years
PARKS & RECREATION DIRECTOR <i>Jim Dumont</i>	9 years	9 years
POLICE CHIEF <i>Chuck Fulton</i>	16 years	41 years
PUBLIC WORKS DIRECTOR <i>Craig Sivley</i>	1 year	1 year
SUPPORT SERVICES DIRECTOR <i>Tim McCarty</i>	9 years	9 years

CITY OF WALLA WALLA

ORGANIZATIONAL CHART



- Boards and Commissions
- Bicycle & Pedestrian Advisory Committee
 - Civil Service Commission
 - Historic Preservation Commission
 - Library Board of Trustees
 - Lodging Tax Advisory Committee
 - Parks and Recreation Advisory Board
 - Planning Commission
 - Sustainability Committee
 - Urban Forestry Advisory Commission
 - Walla Walla Housing Authority
 - Water & Wastewater Advisory Committee

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Auditor's
report

Management's Discussion and Analysis

As management of the City of Walla Walla, we offer readers of the City of Walla Walla's financial statements this narrative overview and analysis of the financial activities of the City of Walla Walla for the fiscal year ended December 31, 2009. We encourage readers to consider the information that we have furnished in our letter of transmittal which can be found starting on page 2 of this report. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

Financial Highlights

- The assets of the City of Walla Walla exceeded liabilities at the close of the most recent fiscal year by \$117,857. Of this amount, \$31,442 may be used to meet the government's ongoing obligations to citizens and creditors.
- The city's total net assets increased by \$613. Business-type activities contributed an increase of \$302 while governmental-type activities contributed an increase of \$312. The overall financial position of the City has improved over the prior year.
- As of the close of the current fiscal year, the City of Walla Walla's governmental funds reported combined ending fund balances of \$15,684, an increase of \$9,534 in comparison with the prior year. The main contributing factor for the increase in fund balance is the issuance of bonds in the amount of \$11,595 to finance the construction of a new police station.
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the general fund was \$2,316, which also represents 9% of total general fund expenditures.
- Spending on governmental activities included in the Construction Improvement Plan during 2009 totaled \$2,675. The largest project was the 13th Ave Rose to Pine. This project was started in 2009 and was 27% completed in 2009. The City's share of the joint agency project for the year was \$616 out of a total project budget of \$2,256. A significant portion of the City's expenses was supported by a \$601 federal stimulus grant.
- Spending on business activities included in the Construction Improvement Plan during 2009 totaled \$2,882. The largest project was the construction of a Permanent Compost Facility. The project was started in 2007 and was 77% complete in 2009. Total 2009 spending was \$669 out of a total project budget of \$868. Funding for this project included \$493 in grant funding from the Washington State Department of Ecology.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Walla Walla's basic financial statements. Those 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 financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Walla Walla's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the City of Walla Walla'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 of Walla Walla 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 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 and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City of Walla Walla that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from activities that are supported by business revenues. The governmental activities of the City of Walla Walla include general government, public safety, utilities and environment, transportation, economic environment, and culture and recreation. The business-type activities of the City of Walla Walla include water/wastewater, stormwater, sanitation, landfill, golf course, ambulance, and equipment maintenance and replacement services.

The government-wide financial statements can be found on pages 30-31 of this report.

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 Walla Walla, 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 of Walla Walla 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 of governmental funds is narrower than that of the 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 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*.

The City of Walla Walla maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is a major fund as defined by the Governmental Accounting Standards Board. In 2009 the street construction fund and the general construction fund were also major governmental funds. Data from the other nineteen funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *combining statements* elsewhere in this report.

In 2008, the City of Walla Walla adopted a biennial appropriated budget for 2009-2010 for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Proprietary funds. The City of Walla Walla 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 of Walla Walla uses enterprise funds to account for water/wastewater, stormwater, sanitation, landfill, golf course and ambulance services. *Internal service funds* are an accounting device used to accumulate and allocate costs internally to the City of Walla Walla's various functions. The City of Walla Walla uses internal service funds to account for its equipment maintenance and replacement, health and industrial insurance, emergency communication and service center functions. As the insurance, emergency communication and service center services predominantly benefit governmental rather than business-type functions, they have been included with *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the sanitation, water/wastewater, landfill and ambulance operations which are considered major funds. Data from the other two enterprise funds, stormwater and golf course, and the internal service funds are combined into a single, aggregated presentation in the basic proprietary fund financial statements starting on page 37. Individual fund data for the internal service funds are provided in the form of *combining statements* starting on page 96.

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 statements because the resources of those funds are not available to support the City of Walla Walla's own programs. The accounting used for the fiduciary funds is much like that used for enterprise funds except for agency funds which only show assets and liabilities. The basic fiduciary fund financial statements can be found on pages 40-41 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 starting on page 43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the City of Walla Walla's progress in funding its obligation to provide pension benefits to certain firefighting employees and their beneficiaries. Supplemental information can be found in footnote V. C. The combining statements referred to earlier in connection with nonmajor governmental, proprietary and internal services can be found starting on page 81 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 Walla Walla, assets exceed liabilities by \$117,857 at the close of the most recent fiscal year.

The largest portion of the City of Walla Walla's net assets (72%) reflects its investment in capital assets (e.g. buildings, machinery, equipment, infrastructure, construction in progress) less any related outstanding debt used to acquire those assets. The City of Walla Walla uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Walla Walla'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. An additional portion of the City of Walla Walla's net assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (27%) totaling \$31,442, may be used to meet the government's ongoing obligations to citizens and creditors.

City of Walla Walla's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current & other assets	14,082	24,928	21,824	22,212	35,906	47,140
Capital assets	41,691	43,110	103,746	104,144	145,437	147,254
Total assets	55,773	68,038	125,570	126,356	181,343	194,394
Other liabilities	1,770	1,913	839	934	2,609	2,847
Non-current liabilities	8,280	20,090	53,210	53,600	61,490	73,690
Total liabilities	10,050	22,003	54,049	54,534	64,099	76,537
Net assets:						
Invested in capital, net of related debt	35,817	26,212	55,001	59,191	90,818	85,403
Restricted	967	1,012	-	-	967	1,012
Unrestricted	8,939	18,811	16,520	12,632	25,459	31,442
Total net assets	45,723	46,035	71,521	71,822	117,244	117,857

At the end of the current fiscal year, the City of Walla Walla is able to report positive balances in all three categories of net assets, both the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year.

The City's current and other assets increased primarily due to bond proceeds for construction activities. Capital assets in turn increased in view of those same activities. Noncurrent liabilities increased due to debt issuance.

The City's net assets increased by \$613 during the current fiscal year. This increase represents the degree to which ongoing revenues have exceeded increases in ongoing expenses mostly through rate increases. Property tax revenue has increased due to a statutory allowable tax levy increase and additional construction; other taxes have increased slightly due to increased volume of taxable events as the tax rates have not changed. Sales tax revenues have decreased due to the weak economy, however, this decrease was anticipated, and care was exercised to minimize the impact on ongoing maintenance and services.

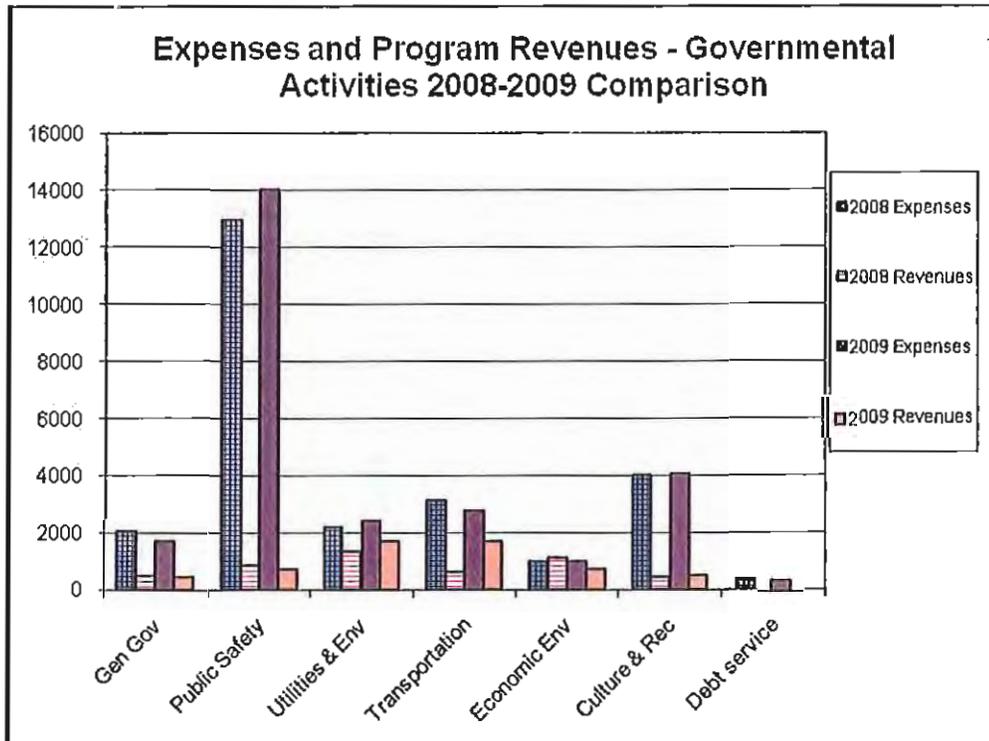
City of Walla Walla's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program revenues:						
Charges for service	3,684	3,621	26,020	26,783	29,704	30,404
Operating grants/contributions	326	435	199	245	525	680
Capital grants/contributions	933	1,789	3,994	972	4,927	2,761
General revenues:						
Property taxes	4,604	5,780	-	-	4,604	5,780
Sales taxes	6,647	6,135	-	-	6,647	6,135
Other taxes	6,197	6,331	-	-	6,197	6,331
Other revenues	2,366	2,052	758	497	3,124	2,548
Total revenues	24,756	26,143	30,971	28,497	55,727	54,640
Expenses:						
General government	2,086	1,703	-	-	2,086	1,703
Public safety	12,900	14,042	-	-	12,900	14,042
Utilities and environment	2,194	2,411	-	-	2,194	2,411
Transportation	3,135	2,776	-	-	3,135	2,776
Economic environment	977	1,007	-	-	977	1,007
Culture and recreation	4,036	4,056	-	-	4,036	4,056
Interest on long-term debt	375	368	-	-	375	368
Ambulance	-	-	3,326	3,285	3,326	3,285
Golf course	-	-	99	135	99	135
Landfill	-	-	3,229	7,489	3,229	7,489
Sanitation	-	-	4,048	3,863	4,048	3,863
Storm water	-	-	744	690	744	690
Water/Wastewater	-	-	12,097	12,202	12,097	12,202
Total expenses	25,703	26,362	23,542	27,664	49,246	54,026
Increase in net assets before transfers						
	(948)	(219)	7,429	833	6,480	612
Transfers	(36)	531	36	(531)	(0)	-
Increase in net assets	(984)	312	7,465	302	6,481	613
Net assets - beginning	46,706	45,723	64,056	71,521	110,763	117,244
Net assets - ending	45,723	46,035	71,521	71,822	117,244	117,857

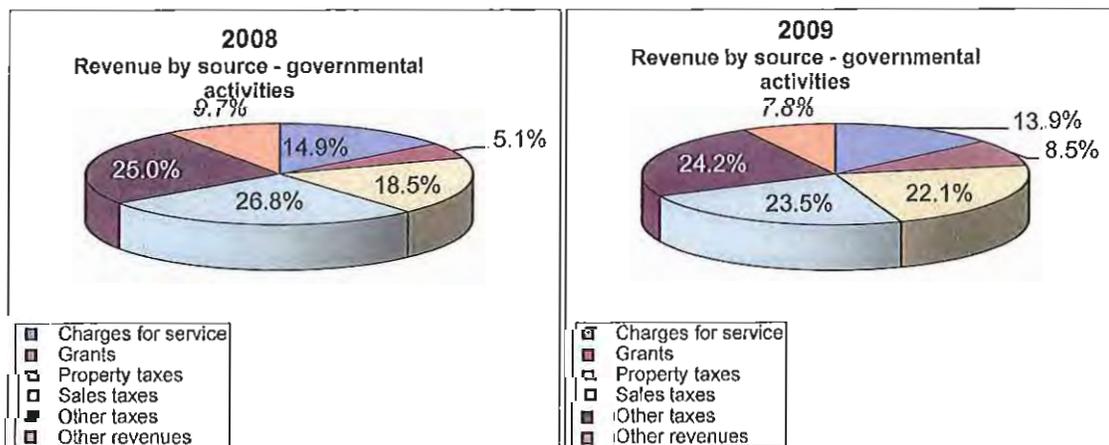
Governmental activities. Governmental activities increased the City of Walla Walla's net assets by \$312. This increase is partly due to an increase in grants of \$965, a decrease of \$383 in general government function costs caused by a reduction in staff and associated benefits, and a decrease of \$360 in net transportation costs. The decrease in transportation costs is related in large part to a one time increase in vehicle replacement costs in 2008 to balance the equipment replacement fund and the deferment of all vehicle replacement costs for streets in 2009. The increase in net assets was partially offset by an increase of \$1,142 in the expenses in the public safety function due to an increase in salaries and benefits and an increase of \$216 in the utilities and environment function.

The following revenues significantly increased from prior years: property taxes \$1,176; other taxes \$134. Sales taxes showed a decrease of \$512 because of the downturn in the

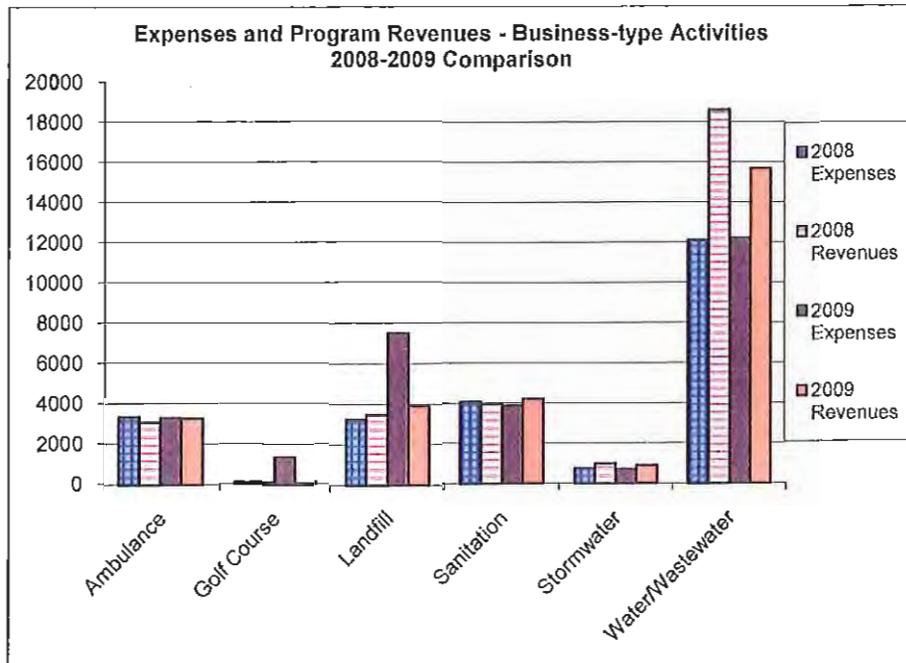
economy. Property tax revenue has increased due to a statutory allowable levy increase and new construction; other taxes have increased due to increased volume of taxable events as the rates have not changed. Operating and capital grants, which fluctuate between years by their one-time nature, were \$965 higher in 2009 than in 2008.



Revenues by Source-Governmental Activities

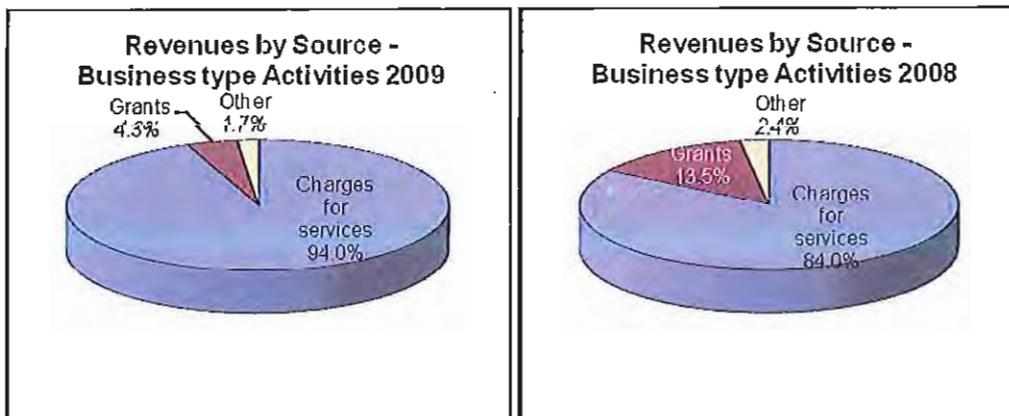


Business-type activities. Business-type activities increased the City of Walla Walla’s net assets by \$302.



The ambulance fund operated at a slight deficit primarily due to increased operating costs; ambulance rates were adjusted in January 2009 and again in October 2009. The sanitation fund operated at a slight deficit in 2009, in part due to recycling activities and increases in landfill rates. The landfill had a significant operating deficit in 2009 due to an increase in reserve for pollution remediation and landfill closure. The increase in net assets in the water/wastewater functions is useful as replacement costs of infrastructure assets are expected to be higher than the depreciation costs reflected in operating expenses. The decrease in revenue in water/wastewater from 2008 to 2009 is related to one-time revenues from a settlement for the painting of a water tank in 2008.

Revenues by source-Business type activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Walla Walla'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 of Walla Walla'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 of Walla Walla's governmental funds reported combined ending fund balances of \$15,684 an increase of \$9,534 in comparison with the prior year. The increase in fund balances is due to bond proceeds for the construction of a new police station. Approximately \$14,662 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Walla Walla. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$2,316. As a measure of the general fund's liquidity, it may be useful to compare unreserved, undesignated fund balance to total expenditures. Unreserved, undesignated fund balance represents 9% of the total expenditures.

The fund balance of the City of Walla Walla's general fund decreased by \$506 during the current fiscal year. Key factors in this decline are an increase in public safety salaries and benefits and an increase in utilities and environment expenditures for engineering salaries and benefits. Overall revenues increased by 2.8% while total expenditures increased by 5.6%.

The general construction fund had an ending balance of \$10,576, all of which is dedicated to general construction projects. In 2009 the citizens of the City of Walla Walla voted for a property tax increase to support the construction of a new police station. In December 2009 bonds were issued to finance the project.

The street construction fund had an ending balance of \$439, all of which is dedicated to street construction projects. The main revenue in 2009 for this fund was intergovernmental revenues or grants of \$1,462. Expenditures are almost exclusively capital outlay (99%) related to several construction projects. The two largest projects were 13th Ave Rose to Pine and Safe Routes to School - Edison with expenses in 2009 of \$616 and \$325 respectively.

Proprietary funds. The City of Walla Walla’s enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the major enterprise funds are as follows:

Sanitation	\$1,030	Ambulance	\$695
Water/Wastewater	\$11,489	Landfill	\$(7,111)

Landfill shows negative unrestricted net assets mainly due to the landfill closure and pollution remediation liabilities. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Walla Walla’s business-type activities.

General Fund Budgetary Highlights

During the year there was a 0.2% or \$82 increase in appropriations between the original and final amended budget for current, debt service and capital outlays. Transfers out increased by 11.1% (\$141). Estimated revenues were budgeted low originally and were revised upward by \$2,141 over the course of the year.

Change in timing of work on various construction projects as well as changes in funding sources for these projects also caused modifications to the original budget. The expenditure budget was also modified to account for the City’s decision to eliminate the cost of living increases in salaries for non-represented employees and unionized clerical and trades workers that were originally budgeted in 2009 and 2010.

As required by State and City code, the City performed a mid-biennium budget review and budget modification for the 2009-2010 biennium. As a result of the review, the City revised the expenditure and revenue budgets to more accurately reflect the downturn of the economy and the resulting decrease in general fund revenues such as sales tax, hotel/motel tax, building permits and investment interest income. The City also decided to hold the 2010 expenditure budget at the 2009 levels.

Due to uncertainties with the economy, the City encouraged its departments and divisions to be conservative in spending in 2009. As a result, actual expenses for 2009 were less than the final adjusted budget. Actual revenues for 2009 were less than the final adjusted budget because of decreases in business and operation taxes and interest income.

Capital Asset and Debt Administration

Capital assets. The City of Walla Walla’s investment in capital assets for its governmental and business-type activities as of December 31, 2009 amounts to \$85,403 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and bridges, etc. The total change in City of Walla Walla’s capital assets (net of depreciation and related debt) for the current year was a decrease of \$9,605 for governmental activities and an increase of \$4,187 for business-type activities.

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

- Spending on governmental activities included in the Construction Improvement Plan during 2009 totaled \$2,675. The largest project was the 13th Ave Rose to Pine. This project was started in 2009 and was 27% completed in 2009. Total of the City's share of the joint agency project for the year was \$616 out of a total project budget of \$2,256. A significant portion of the City's expenses was supported by a \$601 federal stimulus grant.
- Spending on business activities included in the Construction Improvement Plan during 2009 totaled \$2,882. The largest project was the work on the Permanent Compost Facility. The project was started in 2007 and was 77% complete in 2009. Total 2009 spending was \$669 out of a total project budget of \$868. Funding for this project included \$493 in grant funding from the Washington State Department of Ecology.

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land	2,957	3,613	1,878	1,222	4,835	4,835
Construction in progress	2,314	3,916	13,295	12,734	15,609	16,650
Buildings	7,824	7,574	18,997	18,578	26,822	26,152
Improvements	3,446	3,644	5,163	6,977	8,610	10,621
Equipment	1,296	1,352	4,473	4,669	5,768	6,022
Infrastructure	23,854	23,010	59,939	59,965	83,793	82,974
Total capital assets	41,691	43,109	103,746	104,145	145,437	147,254

Additional information on the City of Walla Walla's capital assets can be found in note IV.C. starting on page 56 of this report.

Long-term debt. At the end of the current fiscal year, the City of Walla Walla had total bonded debt outstanding of \$38,219. Of this amount \$19,569 comprises debt backed by the full faith and credit of the government. The remainder of the City of Walla Walla's bonded debt represents bonds secured primarily by specified revenue sources (i.e. revenue bonds). Landfill and golf course debt of \$2,672 from general obligation bonds is expected to be repaid from enterprise revenues and, therefore, is presented as revenue debt rather than as general obligation debt. Additionally the water/wastewater utility has outstanding loans used for capital construction of \$23,631.

Additional information on the City of Walla Walla's long term liabilities can be found in note IV.F. starting on page 59 of this report.

City of Walla Walla's Outstanding Debt
General Obligation and Revenue Bonds

	Government-type Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
General obligation bonds	5,875	16,897	-	-	5,875	16,897
Revenue Bonds	-	-	23,684	21,322	23,684	21,322
Construction Loans	-	-	25,060	23,631	25,060	23,631
Total	5,875	16,897	48,744	44,953	54,619	61,850

Economic Factors and Next Year's Budgets and Rates (amounts not in thousands)

In 2008, the City adopted a biennial budget for 2009-10. After a mid-biennial review, the City decided to hold 2010 budgets at 2009 levels and to continue monitoring revenues and expenses throughout the year. In 2010, the City will begin the process of setting the budget for the 2011-2012 biennium. For the General Government Fund, it is projected that the 2009-2010 biennium will end with a balance of \$1,684,500 which is more than required to comply with the Council adopted mandatory fund balance of \$1,265,184.

The local economy experienced a slight downturn in 2009, but the City was not impacted as severely as other cities in the State of Washington. When the City of Walla Walla adopted its 2009-2010 biennial budget, City administrators and City Council used a conservative approach for estimating revenue and expenses because of the economic outlook for 2009.

During 2009, the City monitored its budget and performed a mid-biennial budget review as required by state and City code. The review resulted in a significant modification of the 2009-2010 biennial budget and adjustment to expenditure and revenue budgets to more accurately reflect the economy. Expenditure budgets for 2009-2010 were decreased by the elimination of salary increases and the accompanying fringe benefits. Budgets for 2010 were reduced to the 2009 levels and revenues were adjusted for projected decreases in sales tax, business and operation taxes, lodging taxes and interest income.

Based on current information from the County Assessor's Office, the proposed 2010 property tax levy of \$4,651,644 includes an increase of \$30,164 from new construction in 2009 and improvements to property plus the allowed 1% or \$45,752 increase in the levy. Additionally, the increase in property tax levy includes \$507 related to territory annexed in 2008. 2011 property tax estimates are difficult at best to estimate without valuation figures, which will not be available until this time next year.

For the modified 2009-10 budget the 2009 property valuation for the City is \$1,942,000,000, which includes 2009 new construction of \$13,485,100 but no increase from state assessed property. That 2010 valuation is 4.31% less than the 2009 valuation of \$2,029,385,473. Because of the decrease in valuation, on the whole homeowners in the City will experience an increase in their levy rate from \$2.25 per \$1,000 of valuation to \$2.39. Consequently, the owner of a \$100,000 home will see the City's property tax

increase from about \$225 to about \$239, assuming the valuation of the home remains at \$100,000.

The fire bond debt payment of \$337,365 in 2010 is proposed to be covered in part by excess bond proceeds, so a reduced levy is necessary given that assumption. This property tax “holiday” for 2010 is \$47,900 in excess bond proceeds.

On the expense side health insurance premiums will continue to rise for all City departments, increasing by approximately 10% from 2009 to 2010. As stipulated in negotiated labor contracts, in 2010 Police Guild members will receive a 4% increase in salaries; Fire Department and Ambulance Department uniformed personnel will receive a 2% increase; unionized clerical and trade workers will receive a 2.4% decrease; and non-represented personnel will see no increase with the exception of those whose salaries were adjusted to reflect market comparability.

The proposed budget assumes a number of increases in fees for services. Ambulance rates are proposed to increase 5% in 2010. Landfill rates would rise 15% in 2010 to cover increased operating costs and new debt service related to the closure costs for Area 6. Water and Wastewater rates are proposed to increase 1% and 2%, respectively, in 2010; the annual bond payments funded by these two rates remain approximately the same as in 2009. Stormwater rates would rise 55% in 2010 to cover engineering and other costs necessary to respond to new State standards and ongoing operations. Sanitation rates for residential trash would increase 11% in 2010 (from \$17.77 per month in 2009 to \$19.73); curbside household recycling would increase from \$3.48 to \$3.64 monthly. Subscription yard waste rates would increase from \$14.15 to \$15.71 per month. Sanitation rate changes reflect operating cost increases such as fuel and higher Landfill rates.

Following citizen input and Council approval 2010 utility rates for Water, Wastewater and Stormwater may increase an additional 6%, 7% and 2%, respectively, to fund the needed infrastructure renewal program proposed to begin in 2010.

Requests for Information

This financial report is designed to provide a general overview of the City of Walla Walla'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 Support Services Director, PO Box 478, Walla Walla, WA 99362.



BASIC FINANCIAL STATEMENTS

City of Walla Walla
Statement of Net Assets
December 31, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	17,271,437	13,089,056	30,360,493
Other receivables (net of allowance)	1,368,573	2,007,563	3,376,136
Prepays	29,000	7,107	36,107
Taxes receivables	6,161,846	-	6,161,846
Special assessment receivable	50,702	-	50,702
Notes receivable	57,077	11,993	69,070
Inventories	-	609,888	609,888
Unrestricted investments	-	192,649	192,649
Temporarily restricted investments	-	3,035,339	3,036,339
Net pension obligation	37,819	-	37,819
Restricted cash			
Temporarily restricted	-	2,364,260	2,364,260
Permanently restricted	844,823	-	844,823
Interfund loans receivable (payable)	(1,091,758)	1,091,758	-
Internal balances receivable (payable)	198,960	(198,960)	-
Capital assets not depreciated:			
Land	3,613,284	1,221,574	4,834,858
Construction in progress	3,915,930	12,733,726	16,649,656
Capital assets net of accumulated depreciation:			
Buildings and structures	7,574,350	18,577,642	26,151,992
Other improvements	3,643,917	6,977,195	10,621,112
Machinery and equipment	1,352,429	4,669,348	6,021,777
Infrastructure	23,009,779	59,964,532	82,974,311
Total assets	<u>68,038,168</u>	<u>126,355,670</u>	<u>194,393,838</u>
LIABILITIES			
Accounts payable	323,100	72,234	395,334
Other accrued liabilities	1,252,973	861,531	2,114,504
Deferred revenues	337,139	-	337,139
Noncurrent Liabilities:			
Due within one year	2,335,737	7,542,293	9,878,030
Due in more than one year	17,754,394	46,057,208	63,811,602
Total liabilities	<u>22,003,343</u>	<u>54,533,266</u>	<u>76,536,609</u>
NET ASSETS			
Invested in capital assets, net of related debt	26,212,314	59,190,765	85,403,079
Restricted for:			
Permanent Funds			
Expendable	18,564	-	18,564
Nonexpendable	844,823	-	844,823
Library Donations	9,938	-	9,938
Parks Donations	138,399	-	138,399
Unrestricted	18,810,787	12,631,639	31,442,426
Total net assets	<u>46,034,825</u>	<u>71,822,404</u>	<u>117,857,229</u>

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

City of Walla Walla
Statement of Activities
For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	1,703,051	242,093	-	233,559	(1,227,399)		(1,227,399)
Public safety	14,041,960	509,470	227,085	2,052	(13,303,353)		(13,303,353)
Utilities and environment	2,410,889	1,670,017	400	16,390	(724,082)		(724,082)
Transportation	2,775,527	168,828	20,888	1,513,034	(1,072,777)		(1,072,777)
Economic environment	1,006,575	719,487	16,136	-	(270,952)		(270,952)
Culture and recreation	4,056,478	311,456	170,566	23,551	(3,550,905)		(3,550,905)
Interest expense	367,901	-	-	-	(367,901)		(367,901)
Total governmental activities	<u>26,362,381</u>	<u>3,621,351</u>	<u>435,075</u>	<u>1,788,586</u>	<u>(20,517,369)</u>		<u>(20,517,369)</u>
Business-type Activities:							
Ambulance	3,285,123	3,256,088	1,776	-		(27,259)	(27,259)
Golf Course	134,812	82,158	1,327	5,000		(46,327)	(46,327)
Landfill	7,488,687	3,195,565	201,752	493,360		(3,597,990)	(3,597,990)
Sanitation	3,863,169	4,174,490	16,991	-		328,312	328,312
Stormwater Management	690,267	882,822	9,678	-		202,233	202,233
Water/Wastewater	12,202,005	15,191,853	13,215	473,772		3,476,835	3,476,835
Total business-type activities	<u>27,664,063</u>	<u>26,782,976</u>	<u>244,739</u>	<u>972,152</u>	<u>-</u>	<u>335,804</u>	<u>335,804</u>
Total primary government	<u>\$ 54,026,444</u>	<u>\$ 30,404,327</u>	<u>\$ 679,814</u>	<u>\$ 2,760,738</u>	<u>(20,517,369)</u>	<u>335,804</u>	<u>\$ (20,181,565)</u>
General revenues:							
Taxes:							
Property taxes					5,780,071	-	5,780,071
Sales taxes					6,134,841	-	6,134,841
Business and occupation taxes					3,464,751	-	3,464,751
Payment in lieu of taxes					2,152,560	-	2,152,560
Gambling taxes					135,422	-	135,422
Real estate excise taxes					192,846	-	192,846
Leasehold taxes					30,831	-	30,831
E911 access taxes					354,668	-	354,668
Intergovernmental					2,019,358	-	2,019,358
Miscellaneous general revenues					77,962	486,027	563,989
Gain (loss) on sale of capital assets					(45,250)	10,857	(34,393)
Transfers					531,109	(531,109)	-
Total general revenues & transfers					<u>20,829,169</u>	<u>(34,225)</u>	<u>20,794,944</u>
Change in net assets					311,800	301,579	613,379
Net assets - beginning					45,723,025	71,520,825	117,243,850
Net assets - ending					<u>\$ 46,034,825</u>	<u>\$ 71,822,404</u>	<u>\$ 117,857,229</u>

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

City of Walla Walla
Balance Sheet
Governmental Funds
December 31, 2009

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
ASSETS					
Cash and equivalents	3,558,262	10,596,823	436,006	1,521,729	16,112,820
Restricted cash & cash equivalents	-	-	-	844,823	844,823
Taxes receivables (net)	5,028,904	-	-	1,132,942	6,161,846
Other receivables (net)	568,802	2,519	751,671	43,680	1,366,672
Prepays	29,000	-	-	-	29,000
Special assessments receivable	-	-	-	50,702	50,702
Notes receivable	-	-	-	57,077	57,077
Total assets	<u>\$ 9,184,968</u>	<u>\$ 10,599,342</u>	<u>\$ 1,187,677</u>	<u>\$ 3,650,953</u>	<u>\$ 24,622,940</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	244,596	23,141	16,191	20,633	304,561
Other accrued liabilities	1,084,715	-	52,672	33,373	1,170,760
Interfund loans payable	150,982	-	680,000	260,776	1,091,758
Deferred revenues	5,211,668	-	-	1,160,530	6,372,198
Total liabilities	<u>6,691,961</u>	<u>23,141</u>	<u>749,863</u>	<u>1,475,312</u>	<u>8,939,277</u>
Fund balances:					
Reserved for					
Prepays	29,000	-	-	-	29,000
Library Reserves	9,938	-	-	-	9,938
Parks Reserves	138,399	-	-	-	138,399
Endowment Principal	-	-	-	844,823	844,823
Unreserved, reported in:					
General Fund	2,315,670	-	-	-	2,315,670
Special Revenue	-	-	-	1,021,855	1,021,855
Debt Service	-	-	-	186,096	186,096
Capital Projects	-	10,576,201	438,814	104,303	11,119,318
Permanent Fund	-	-	-	18,564	18,564
Total fund balances	<u>2,493,007</u>	<u>10,576,201</u>	<u>438,814</u>	<u>2,175,641</u>	<u>15,683,663</u>
Total liabilities and fund balances	<u>\$ 9,184,968</u>	<u>\$ 10,599,342</u>	<u>\$ 1,187,677</u>	<u>\$ 3,650,953</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital outlays are expenditures for fund reporting but are additions to assets for government wide reporting.

43,109,689

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Proceeds received from new debt and repayments of existing debts are recorded as resources and expenditures for fund reporting but are additions and reductions of liabilities for government wide reporting.

(20,153,246)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

6,199,665

Internal service funds are used by management to charge the costs of health and industrial insurance and emergency communication services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

1,195,054

Net assets of governmental activities (see page 30)

\$ 46,034,825

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

City of Walla Walla
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
REVENUES					
Taxes	15,831,384	-	-	780,355	16,611,739
Licenses and permits	536,014	-	-	164,959	700,973
Intergovernmental revenues	1,220,884	233,559	1,462,034	703,058	3,619,535
Charges for goods and services	6,407,755	-	360	173,648	6,581,763
Fines and forfeitures	297,361	-	-	4,550	301,911
Miscellaneous revenues	226,713	4,622	55,859	101,647	388,841
Total revenues	<u>24,520,111</u>	<u>238,181</u>	<u>1,518,253</u>	<u>1,928,217</u>	<u>28,204,762</u>
EXPENDITURES					
Current:					
General government	5,655,551	10,731	-	-	5,666,282
Public safety	12,194,747	-	-	112,654	12,307,401
Utilities and environment	2,462,872	-	-	3,962	2,466,834
Transportation	-	-	27,444	1,345,951	1,373,395
Economic environment	935,074	-	-	79,457	1,014,531
Culture and recreation	3,098,576	204,110	-	595,733	3,898,419
Debt service:					
Principal Retirement	-	-	-	337,973	337,973
Interest	17,806	-	-	195,529	213,335
Administrative charges	-	-	-	1,260	1,260
Capital outlay:					
General government	89,222	18,719	-	-	107,941
Public safety	19,820	1,089,666	-	9,066	1,118,552
Utilities and environment	13,461	-	-	-	13,461
Transportation	-	-	1,971,844	-	1,971,844
Culture and recreation	12,237	-	-	212,482	224,719
Total expenditures	<u>24,499,366</u>	<u>1,323,226</u>	<u>1,999,288</u>	<u>2,894,067</u>	<u>30,715,947</u>
Excess (deficiency) of revenues over expenditures	<u>20,745</u>	<u>(1,085,045)</u>	<u>(481,035)</u>	<u>(965,850)</u>	<u>(2,511,185)</u>

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
OTHER FINANCING SOURCES (USES)					
Transfers in	187,824	-	512,333	684,298	1,384,455
Transfers out	(727,895)	(17,500)	(43,554)	(294,179)	(1,083,128)
Insurance Recoveries	13,720	-	-	-	13,720
Bonds Issued	-	11,595,000	-	-	11,595,000
Premium on Bonds Issued	-	126,787	-	-	126,787
Proceeds from disposal of capital assets	-	-	-	8,000	8,000
Total other financing sources and uses	<u>(526,351)</u>	<u>11,704,287</u>	<u>468,779</u>	<u>398,119</u>	<u>12,044,834</u>
Net Change in fund balances	<u>(505,606)</u>	<u>10,619,242</u>	<u>(12,256)</u>	<u>(567,731)</u>	<u>9,533,649</u>
Fund balances -- beginning	2,998,613	(43,041)	451,070	2,743,372	6,150,014
Fund balances -- ending	<u>\$ 2,493,007</u>	<u>\$ 10,576,201</u>	<u>\$ 438,814</u>	<u>\$ 2,175,641</u>	<u>\$ 15,683,663</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (above)	9,533,649
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,418,469
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net assets.	(11,149,629)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,279,583
Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(797,137)
Internal service funds are used by management to charge the costs of emergency communications, vehicle maintenance and replacement to individual funds. The net revenue (loss) of certain activities of internal service funds is reported in the governmental activities.	26,865
Change in net assets of governmental activities (see page 31)	<u>\$ 311,800</u>

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

**City of Walla Walla
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2009**

	Approved Original Budget 2009-2010 Biennium	Approved Final Budget 2009-2010 Biennium	Actual Biennium To-Date Thru 12/31/09	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	32,820,170	32,118,910	15,831,384	(16,287,526)
Licenses and permits	1,816,790	985,970	536,014	(449,956)
Intergovernmental revenues	1,935,100	2,402,000	1,220,884	(1,181,116)
Charges for goods and services	12,544,660	13,110,440	6,407,755	(6,702,685)
Fines and forfeits	791,610	572,200	297,361	(274,839)
Miscellaneous revenues	636,670	514,100	226,713	(287,387)
Total revenues	<u>50,545,000</u>	<u>49,703,620</u>	<u>24,520,111</u>	<u>(25,183,509)</u>
EXPENDITURES				
Current:				
General government	11,545,780	11,458,130	5,655,551	5,802,579
Public safety	25,402,550	24,868,290	12,194,747	12,673,543
Utilities and environment	4,549,710	5,103,270	2,462,872	2,640,398
Economic environment	2,098,960	1,909,280	935,074	974,208
Culture and recreation	6,178,540	6,313,640	3,098,576	3,215,064
	<u>49,775,540</u>	<u>49,652,610</u>	<u>24,346,820</u>	<u>25,305,790</u>
Debt service:				
Principal Retirement	227,410	321,610	205,350	116,260
Interest	19,890	20,950	17,806	3,144
	<u>247,300</u>	<u>342,560</u>	<u>223,156</u>	<u>119,404</u>
Capital Outlay:				
General government	179,340	216,990	89,222	127,768
Public safety	-	42,920	19,820	23,100
Utilities and environment	-	28,460	13,461	14,999
Culture and recreation	12,000	12,280	12,237	43
	<u>191,340</u>	<u>300,650</u>	<u>134,740</u>	<u>165,910</u>
Total expenditures	<u>50,214,180</u>	<u>50,295,820</u>	<u>24,704,716</u>	<u>25,591,104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>330,820</u>	<u>(592,200)</u>	<u>(184,805)</u>	<u>407,595</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	94,200	-	(94,200)
Insurance recoveries	-	142,350	13,720	(128,630)
Transfers in	51,000	212,820	187,824	(24,996)
Transfers out	(1,270,040)	(1,411,200)	(727,895)	683,305
Total other financing sources and uses and special items	<u>(1,219,040)</u>	<u>(961,830)</u>	<u>(526,351)</u>	<u>435,479</u>
Net change in fund balances	<u>(888,220)</u>	<u>(1,554,030)</u>	<u>(710,956)</u>	<u>843,074</u>
Fund balances -- beginning	2,998,613	2,998,613	2,998,613	-
Fund balances -- ending	<u>\$ 2,110,393</u>	<u>\$ 1,444,583</u>	<u>\$ 2,287,657</u>	<u>\$ 843,074</u>
			Interfund Loan adjustment	205,350
			Ending Fund Balance-General Fund (see page 32)	<u>\$ 2,493,007</u>

*Actual amounts are presented on a budgetary basis of accounting which is different from the financial statement basis of accounting.

Repayment of interfund loans is considered an expenditure, and proceeds from interfund loans are considered a revenue for budgetary purposes only.

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

City of Walla Walla
Statement of Net Assets
Proprietary Funds
December 31, 2009

	Business-type Activities - Major Enterprise Funds					Total Enterprise	Total Internal Service
	Sanitation	Water/Wastewater	Landfill	Ambulance	Other Enterprise		
ASSETS							
Current assets:							
Cash and equivalents	965,793	7,805,767	493,032	752,792	335,435	10,352,819	3,894,854
Other receivables (net)	217,327	770,106	650,549	308,698	50,577	1,997,257	12,209
Interfund loans receivable	-	-	-	-	-	-	1,605,705
Inventories	-	507,629	-	-	-	507,629	102,259
Restricted cash and cash equivalents	-	-	261,222	-	-	261,222	-
Total current assets	1,183,120	9,083,502	1,404,803	1,061,490	386,012	13,118,927	5,615,027
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	2,103,038	-	-	2,103,038	-
Restricted Investments	-	3,036,338	-	-	-	3,036,338	-
Unrestricted Investments	-	192,649	-	-	-	192,649	-
Long term receivable	-	-	11,993	-	-	11,993	-
Interfund loans receivable	-	-	-	-	-	-	2,722,742
Other debits	-	7,107	-	-	-	7,107	-
Land	-	572,495	593,664	-	55,415	1,221,574	135,600
Buildings and structures (net)	-	17,938,337	639,306	-	-	18,577,643	2,679,936
Improvements other than buildings (net)	-	1,365,647	4,421,303	-	1,190,245	6,977,195	-
Machinery and equipment (net)	22,693	293,713	300,123	111,929	10,974	739,432	4,083,128
Infrastructure (net)	-	59,308,871	97,096	-	558,566	59,964,533	15,284
Construction in progress	-	11,709,242	713,613	-	310,872	12,733,727	56,097
Total noncurrent assets	22,693	94,424,399	8,880,136	111,929	2,126,072	105,565,229	9,692,787
Total assets	1,205,813	103,507,901	10,284,939	1,173,419	2,512,084	118,684,156	15,307,814
LIABILITIES							
Current liabilities:							
Accounts payable	4,166	57,092	8,179	2,047	-	71,484	19,290
Other accrued liabilities	75,098	531,396	85,386	128,106	19,445	839,431	104,313
Industrial insurance claims	-	-	-	-	-	-	12,984
Compensated absences	56,023	101,244	64,024	161,464	20,678	403,433	123,574
Landfill closure payable from restricted assets	-	-	222,115	-	-	222,115	-
Landfill closure payable from unrestricted assets	-	-	2,514,813	-	-	2,514,813	-
Pollution remediation payable from restricted assets	-	-	39,107	-	-	39,107	-
Pollution remediation payable from unrestricted assets	-	-	80,000	-	-	80,000	-
Current portion long term debt	-	4,047,558	191,157	-	15,870	4,254,585	230,755
Interfund loans payable	-	63,570	991,823	-	29,399	1,084,792	39,113
Total current liabilities	135,287	4,800,860	4,196,604	291,617	85,392	9,509,760	530,029
Noncurrent liabilities:							
Industrial insurance claims	-	-	-	-	-	-	50,688
Compensated absences	17,635	10,830	24,645	74,499	3,955	131,564	1,320
Landfill closure payable from restricted assets	-	-	2,103,038	-	-	2,103,038	-
Pollution remediation payable from unrestricted assets	-	-	3,122,620	-	-	3,122,620	-
Long term debt	-	38,233,665	2,171,400	-	293,601	40,698,666	463,648
Interfund loans payable	-	66,430	1,375,567	-	589,900	2,031,897	80,887
Total noncurrent liabilities	17,635	38,310,925	8,797,270	74,499	887,456	48,087,785	596,543
Total liabilities	152,922	43,111,785	12,993,874	366,116	972,848	57,597,545	1,126,572
NET ASSETS							
Invested in capital assets, net of related debt	22,693	48,907,082	4,402,548	111,929	1,816,601	55,260,853	6,275,642
Unrestricted	1,030,198	11,489,034	(7,111,483)	695,374	(277,365)	5,825,758	7,905,600
Total net assets	1,052,891	60,396,116	(2,708,935)	807,303	1,539,236	61,086,611	14,181,242
						Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	10,735,793
						Net assets of business-type activities (see page 30)	<u>71,822,404</u>

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

City of Walla Walla
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Business-type Activities - Major Enterprise Funds				Other Enterprise	Total Enterprise	Total Internal Service
	Sanitation	Water/Wastewater	Landfill	Ambulance			
Operating revenues:							
Licenses and permits	1,399	-	-	-	-	1,399	-
Intergovernmental revenues	16,991	13,215	695,132	1,252,136	11,005	1,988,479	1,222,052
Charges for goods and services	4,173,073	15,144,825	3,181,436	3,284,933	910,629	26,694,896	17,659
Discounts & allowances	-	-	-	(1,284,900)	-	(1,284,900)	-
Interfund Charges	-	-	-	-	-	-	7,484,175
Total operating revenues	4,191,463	15,158,040	3,876,568	3,252,169	921,634	27,399,874	8,723,886
Operating expenses:							
Depreciation	2,367	2,204,194	264,277	35,008	56,229	2,562,075	856,400
Landfill closure expense	-	-	1,235,475	-	-	1,235,475	-
Pollution remediation	-	-	3,305,620	-	-	3,305,620	-
Bad debt expense	37	1,238	-	144,909	29	146,213	-
Salaries and wages	693,635	907,130	571,814	1,475,382	222,814	3,870,775	1,219,514
Personnel benefits	291,653	350,095	223,265	532,521	87,299	1,484,833	4,305,250
Supplies	51,178	332,995	74,840	142,012	19,881	620,906	734,598
Services and charges	1,141,471	2,457,678	157,032	91,170	23,518	3,870,869	679,530
Intergovernmental services	481,404	1,944,717	445,404	26,358	101,930	2,999,813	-
Interfund service payments	1,416,460	2,840,431	1,158,874	877,914	306,919	6,600,598	434,662
Total operating expenses	4,078,205	11,038,478	7,436,601	3,325,274	818,619	26,697,177	8,229,954
Operating income (loss)	113,258	4,119,562	(2,560,033)	(73,105)	103,015	702,697	493,932
Nonoperating revenues (expenses):							
Taxes	-	-	-	-	-	-	354,668
Miscellaneous revenues	6,387	273,287	40,239	9,195	56,291	385,399	237,018
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	7,607
Debt service - interest	-	(1,309,809)	(215,514)	-	(47,362)	(1,572,685)	(154,881)
Total non-operating revenue (expenses)	6,387	(1,036,522)	(175,275)	9,195	8,929	(1,187,286)	444,412
Income (loss) before contributions and transfers	119,645	3,083,040	(3,735,308)	(63,910)	111,944	(484,589)	938,344
Capital contributions	-	473,772	-	-	5,000	478,772	-
Transfers in	27,310	8,210	5,360	151,390	2,350	194,620	384,267
Transfers out	(180,000)	(409,984)	(20,230)	-	-	(610,214)	(270,000)
Change in net assets	(33,045)	3,155,038	(3,750,178)	87,480	119,294	(421,411)	1,052,611
Total net assets – begin	1,085,936	57,241,078	1,041,243	719,823	1,419,942	61,508,022	13,128,631
Total net assets – ending	1,052,891	60,396,116	(2,708,935)	807,303	1,539,236	61,086,611	14,181,242
Net change in net assets - total proprietary funds						(421,411)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						722,990	
Change in net assets of business-type activities (see page 31)						301,579	

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

City of Walla Walla
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Business-type Activities - Major Enterprise Funds						Total Internal Service
	Sanitation	Water/Wastewater	Landfill	Ambulance	Other Enterprise	Total Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash from customers	4,330,775	15,437,501	2,690,425	2,003,396	936,396	25,398,493	53,982
Cash from grants	16,991	13,215	695,132	1,252,136	(1,124)	1,976,350	1,254,611
Cash from interfund services	-	-	-	-	-	-	7,447,385
Other miscellaneous cash inflows	330	44,618	6,582	50	54,350	105,930	5,200
Payments to suppliers	(1,668,126)	(4,610,730)	(642,844)	(257,475)	(145,366)	(7,324,541)	(1,517,728)
Payments to employees	(985,858)	(1,280,901)	(788,832)	(2,002,106)	(307,992)	(5,365,689)	(5,545,780)
Interfund service payments	(1,416,460)	(2,840,431)	(1,158,874)	(877,914)	(306,919)	(6,600,598)	(434,652)
Payments for landfill closure	-	-	(329,414)	-	-	(329,414)	-
Not cash provided by operating activities	277,652	6,763,272	472,175	118,087	229,345	7,860,531	1,262,988
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Cash from taxes	-	-	-	-	-	-	354,668
Transfers in	27,310	8,210	5,360	151,390	2,350	194,620	384,267
Transfers out	(180,000)	(409,984)	(20,230)	-	-	(610,214)	(270,000)
Total cash flows from noncapital financing	(152,690)	(401,774)	(14,870)	151,390	2,350	(415,594)	468,935
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from Interfund loans	-	130,000	-	-	-	130,000	120,000
Repayments of Interfund loans	-	-	97,390	-	(28,135)	69,255	-
Proceeds from bonds	-	309,073	-	-	-	309,073	-
Purchase of capital assets	-	(2,424,211)	(818,263)	-	(30,396)	(3,272,870)	(1,253,530)
Capital contributions and purchases	-	473,772	-	-	5,000	478,772	-
Principal and Interest payments	-	(5,247,250)	(402,156)	-	(63,272)	(5,712,678)	(389,065)
Proceeds from sale of capital assets	-	-	-	-	-	-	10,857
Total cash flows from capital and related financing	-	(6,758,616)	(1,123,029)	-	(116,803)	(7,998,448)	(1,511,738)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of land held for investment	-	656,312	-	-	-	656,312	-
Interest received	6,059	228,668	32,577	9,143	1,938	278,385	231,822
Interfund loan repayments received	-	-	-	-	-	-	2,535,226
Interfund loans disbursed	-	-	-	-	-	-	(3,391,580)
Total cash flows from investing	6,059	884,980	32,577	9,143	1,938	934,697	(624,542)
Net increase (decrease) in cash and cash equivalents	131,021	487,852	(633,147)	278,620	116,890	381,186	(404,357)
Beginning cash and cash equivalents	834,772	7,317,905	3,490,439	474,172	218,605	12,335,893	4,299,211
Ending cash and cash equivalents	965,793	7,805,767	2,857,292	752,792	335,435	12,717,079	3,894,854
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:							
Operating Income (loss)	113,258	4,119,562	(3,560,033)	(73,105)	103,015	702,697	493,932
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	2,367	2,204,194	264,277	35,008	56,229	2,562,075	856,400
Misc revenues classified as non-operating	330	44,618	6,582	50	54,350	105,930	5,200
(Increase) decrease in accounts receivable	156,340	168,859	(491,011)	-	13,667	(152,145)	32,072
(Increase) decrease in inventories	-	172,189	-	148,272	-	320,461	(72,238)
Increase (decrease) in accounts payable	5,927	77,526	34,432	2,065	(37)	119,913	(31,362)
Increase (decrease) in salaries & benefits	(570)	(23,676)	6,247	5,797	2,121	(10,081)	(21,016)
Increase (decrease) in landfill closure	-	-	4,211,681	-	-	4,211,681	-
Not cash provided by operating activities	277,652	6,763,272	472,175	118,087	229,345	7,860,531	1,262,988

No noncash investing, capital, and financing activities

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

City of Walla Walla
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2009

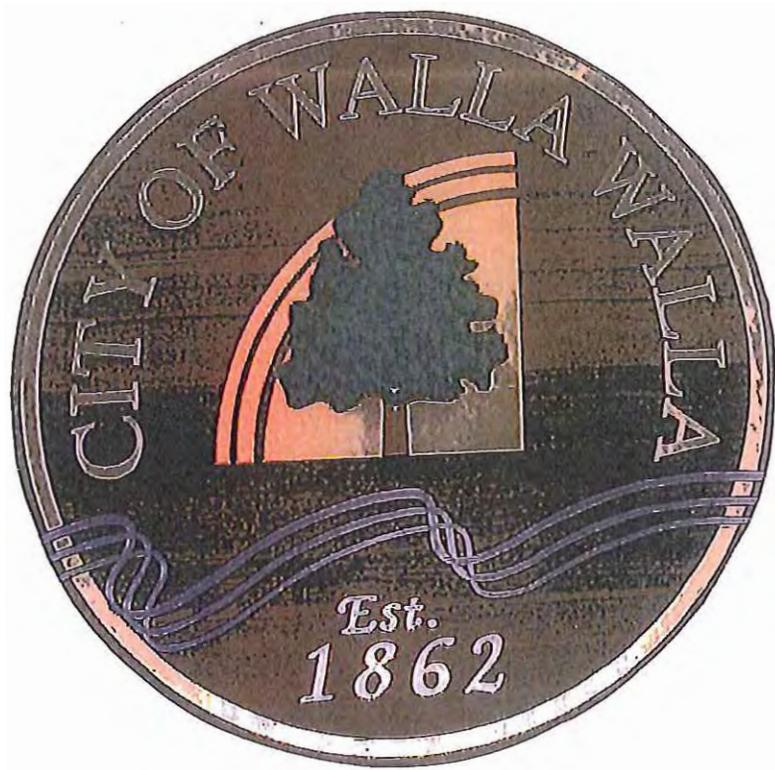
	Pension and Other employee Benefits	Agency
ASSETS		
Cash and equivalents	296,250	137,620
Total assets	296,250	137,620
LIABILITIES		
Accounts payable	2,500	-
Other accrued liabilities	22,479	-
Due to other governments	-	137,620
Total Liabilities	24,979	137,620
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 271,271	

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

City of Walla Walla
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2009

	Pension and Other employee <u>Benefits</u>
ADDITIONS	
Contributions:	
Intergovernmental revenues	38,193
Employer contributions	974,310
Total Contributions	1,012,503
Investment earnings:	
Interest on investments	2,012
Total investment earnings	2,012
Net Investment Earnings	2,012
Total additions	1,014,515
DEDUCTIONS	
Personnel benefits	960,827
Total deductions	960,827
Change in Net Assets	53,688
Net Assets-- beginning of the year	217,583
Net Assets -- end of the year	\$ 271,271

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



CITY OF WALLA WALLA
Notes to the Financial Statements
December 31, 2009

I. Summary of significant accounting policies

The financial statements of the City of Walla Walla have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting entity

The City of Walla Walla was incorporated in 1862 and operates under the laws of the State of Washington applicable to non-charter code cities with a Council-Manager form of government. As required by generally accepted accounting principles, the financial statements present the activities of the City of Walla Walla – the primary government. The City of Walla Walla does not have any component units.

The City is a general purpose government and provides police, fire, ambulance, water/wastewater and sanitation service, a landfill, street maintenance, planning and zoning, library, parks and a cemetery. The City contracts for operation and maintenance of the municipal golf course and operation of the Wastewater Treatment Plant. The City's basic financial statements include the financial position and results of operations of all funds that are controlled by the City. The basic financial statements do not include the financial position or results of operations of:

The *Walla Walla School District*, even though its operations are essentially conducted within the City's borders. It is a separate municipal corporation, and no financial interdependence exists between the two entities.

The *Walla Walla Valley Transit*, even though three of the seven board members are appointed by the City Council for a two-year term. The City has no continuing oversight responsibility over their operations, and no financial interdependence exists.

The *Walla Walla Housing Authority*, though the City Council appoints their five board members. The members cannot be elected officials and they are appointed for five year terms. RCW 35.82.030 establishes rules governing the Housing Authority. The City has no continuing oversight responsibility for their operations, and no financial interdependence exists.

B. Government-wide and fund financial statements

The government-wide statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are administrative overhead charges where the amounts are reasonably equivalent in value to the interfund services provided. Likewise, other charges between the government's utility functions and

certain other service functions and various other functions of the government have not been eliminated. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are 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.

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

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

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 and fiduciary fund financial statements. Agency funds, a type of fiduciary fund, have no measurement focus as the purpose of this type of fund is to simply receive and disburse funds belonging to another organization. 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 flow of 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 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund 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 the 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 only when cash is received by the City.

The City reports the *general fund* as a major governmental fund. The general fund is the City's primary operating fund. It accounts for all governmental financial resources, except those required to be accounted for in another fund. The *general construction* and *street construction fund* are also major funds in 2009. The general construction fund accounts for financial resources related to the

construction of general governmental construction and related assets; the street fund accounts for financial resources related to the construction of streets and related assets.

The City reports the following major proprietary funds:

The *sanitation fund* is responsible for the pick-up and disposal of solid waste throughout the City and administers the City's recycling program.

The *landfill fund* accounts for activities of waste stored at the landfill including composting operations and administers the household hazardous waste disposal program.

The *water/wastewater fund* accounts for the water-treatment plant activities; wastewater collection, treatment and disposal; as well as the distribution of water throughout the City including some areas outside the City limits.

The *ambulance fund* accounts for the activities related to in-town (and most of the county) emergency ambulance services and long-distance ambulance transport services.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for revenues that are raised for a specific purpose.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to report significant capital acquisition and construction separate from ongoing operating activities.

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Internal service funds account for emergency communications services, vehicle operations and maintenance, vehicle replacements, service center building maintenance and debt service, health insurance and industrial insurance provided to other departments or agencies on a cost reimbursement basis.

Pension trust funds account for pension and medical costs for active and retired Fire Department employees qualified under State statutes.

Agency fund accounts for assets controlled by the City as fiscal agent to WALNET; an organization created by interlocal agreement to provide library software services to its members.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the City-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 has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of the interfund activity has been eliminated for the city-wide financial statements. Exceptions to this general rule are administrative overhead charges where the amounts are reasonably equivalent in value to the interfund services provided. Likewise, other charges between the government's utility functions and certain other service functions and various other functions of the government have not been eliminated. 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) operation 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 for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities and net assets or equities

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and the City's investment policies authorize the City to invest in obligations of the U.S. treasury, repurchase agreements and the State Treasurer's Local Government Investment Pool. The interest on these investments is prorated to the various funds on a monthly basis.

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

The City has elected to report all long-term investments at cost which approximates fair value for the items held. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

See additional deposit investment and restricted asset information in note IV.A.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund loans payable/receivable”. 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”.

Loans between funds, as reported in the fund financial statements, are included as a liability in applicable governmental funds so that the indicated fund balance represents amounts available for appropriation and expendable available financial resources.

Taxes receivable consist of property taxes. Property taxes are levied as of January 1 on property values assessed as of December of the prior year. The tax levy is divided into two billings: the first billing is due April 30 and the second is due October 31.

Other receivables include customer receivables, billed special assessments, interest receivable and grant receivables. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Accrued grants receivable relate to qualified expenditures made prior to the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services. The allowance for uncollectible accounts for the ambulance fund is approximately 42% of the outstanding receivables at December 31, 2009.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2009, there was \$23,114 of special assessments receivable delinquencies.

Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered. Since the City is unable by law to grant credit to any entity, all loans receivable are related to grant monies received from other agencies which have authorized the loan as part of the grant process. Repayments of these loans are used to establish revolving loan funds for loans that match the original grant purpose.

3. Inventories

Inventories are valued by the FIFO (first-in-first-out) method. Inventories in governmental funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures at the time individual inventory items are purchased. The inventories associated with internal service funds that support governmental activities and all enterprise funds report inventories as expenditures when they are consumed rather than when they are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures.

4. Restricted assets

Corpus of permanent funds are included in restricted assets. The “landfill closure” account is used by the landfill fund and contains resources set aside to fund future landfill closure and post closure costs

and the “pollution remediation” account contains resources for current activity on the remediation of pollution at Landfill Area 5. Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because they are maintained in a separate investment account and their use is limited by applicable bond covenants. The “bond debt service” account is used by the water/wastewater fund to report resources set aside to subsidize potential deficiencies from the water/wastewater operations that could adversely affect debt service payments. Restricted assets are composed of the following:

	<u>Temporary Restrictions</u>	<u>Permanent Restrictions</u>
Cemetery Endowment	\$ -	\$828,278
Esther Eyraud Trust	-	3,000
Sherwood Library Trust	-	13,545
Landfill closure	2,325,154	-
Pollution Remediation	39,107	-
Water/Wastewater debt service	3,036,339	-

5. 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 columns in the City-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. 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. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when construction is complete. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

<u>Assets</u>	<u>Threshold</u>	<u>Capitalization Years</u>
Bike path network	\$30,000	15 to 25
Bridge network	30,000	50 to 125
Buildings and improvements	30,000	5 to 50
Land & Improvements	30,000	10 to 45
Parking lot network	30,000	15 to 25
Pavement markings network	30,000	4 to 6
Sidewalk network	30,000	25 to 50
Signal light network	30,000	20 to 30
Street light network	30,000	20 to 30

Street/Road subsystem network	30,000	10 to 50
Machinery and equipment	5,000	5 to 10
Furniture and office equipment	5,000	5 to 20
Vehicles and mobile equipment	5,000	2 to 20

Depreciation is provided using the straight-line method over estimated useful lives.

6. Compensated absences

It is the government’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. The contracts with employees call for the accumulation of vacation leave. At termination of employment, employees with the required six months length of service may receive cash payment for all accumulated vacation leave up to a maximum of 240 hours. In governmental funds, such amounts are not accrued using the modified accrual basis of accounting but are reported as a liability in the government-wide financial statements.

7. 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, when material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Material bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Only the general and street funds typically liquidate long-term obligations other than debt.

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund reserves and designations

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 management plans that are subject to change.

II. Reconciliation of City-wide and fund financial statements

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

The governmental funds 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. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The following shows the detail of these capital asset changes net of accumulated depreciation:

Beginning balance of capital assets excluded from fund level:	
Land	\$ 2,956,972
Construction in process	2,313,987
Buildings	7,824,371
Other improvements	3,446,061
Equipment	1,295,688
Infrastructure	23,854,139
Current year land purchase	656,312
Current year spending in construction work in progress	2,460,704
Current year capital purchases	462,362
Current year asset disposals	(53,250)
Current year depreciation	<u>(2,107,657)</u>
Net adjustment to add to government-wide fund balance to arrive at	
<i>Net assets-governmental activities</i>	<u>\$ 43,109,689</u>

Another element of that reconciliation explains that “long-term liabilities...are not due and payable in the current period and are not reported in the funds.” The following shows the detail of these liability changes:

Beginning balance of long-term liabilities excluded from fund level:	
Compensated absences	\$ (1,971,272)
Bonds payable	(5,874,533)
OPEB obligation	(322,856)
Current year bonds issued	(11,595,000)
Premium on bonds issued (to be amortized)	(126,786)
Current year principal payments reducing debt	572,157
Current year compensated absences earned	(1,481,667)
Current year compensated absences used	1,434,822
Current year additions to OPEB obligation	(1,494,346)
Current year reductions to OPEB obligation	<u>706,235</u>
Net adjustment to reduce government-wide fund balance to arrive at	
<i>Net assets-governmental activities</i>	<u>\$(20,153,246)</u>

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. The following shows the detail of these asset changes:

Property Taxes	\$6,161,846
Net Pension Obligation	<u>37,819</u>
Net adjustment to add to government-wide fund balance to arrive at	
<i>Net assets-governmental activities</i>	<u>\$6,199,665</u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances 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. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful

lives and reported as depreciation expense. The details of this difference are as follows:

Current year land purchase	\$ 656,312
Current year spending in construction work in progress	2,460,704
Current year capital purchases	462,360
Current year loss on disposal of capital assets	(53,250)
Depreciation expense	<u>(2,107,657)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$1,418,469</u>

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of 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. The details of this difference are as follows:

Debt proceeds on bonds issued	(\$11,595,000)
Premium on bonds issued	(126,786)
Debt principal retirement	<u>572,157</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$11,149,629)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The details of this difference are as follows:

Current year compensated absences earned	(1,481,667)
Current year compensated absences used	1,434,822
Current year additions to OPEB obligation	(1,494,347)
Current year reductions to OPEB obligation	706,236
Net pension obligation	<u>37,819</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$797,137)</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

In 2008, the City of Walla Walla changed from an annual budget to a biennial budget. The following paragraphs describe the process the City uses to adopt its biennial budget.

Scope of budget

Biennial appropriated budgets are adopted for the general, special revenue, proprietary and pension trust funds. Additionally, project basis budgets are adopted for capital project funds. All biennial appropriations lapse at the end of the biennium. For governmental funds, the only difference between the budgetary basis and generally accepted accounting principles (GAAP) is that proceeds from interfund loans are treated as budgeted revenue and repayment of interfund loans are treated as

budgetary expenditures.

Budgetary accounts are integrated in fund ledgers for all budgeted funds. 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. The expenditure component is included in the appropriate fund's biennial budget. National Council on Governmental Accounting (NCGA) Statement 1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types.

Procedures for Adopting the Original Budget

The City of Walla Walla's budget procedures are mandated by RCW 35.34. The City of Walla Walla used the following steps to establish the biennial budget reflected in the financial statements:

- Prior to October 1 in even-numbered years, the City Manager submits to the City Clerk the proposed operating budget for the biennial period commencing the following January 1. The operating budget includes proposed expenditures and revenues for the biennium.
- In November, public hearings are held at regular City Council meetings to obtain taxpayer comments.
- In December, the biennial budget is legally adopted by Council ordinance.

Amending the Budget

The City Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of the City, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council and adopted by ordinance. The financial statements present the amended budget as approved.

Encumbrance accounting

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at the end of a biennium are liquidated and must be re-budgeted in the following biennium by Council action or must be absorbed in the following biennium's appropriated budget.

B. Deficit fund equity

The streets fund had a deficit balance of \$216,787 as of December 31, 2009. In 2006 the fund obtained an interfund loan for a capital purchase creating a liability that is not payable from current resources. Due to the modified accrual nature of governmental fund accounting no corresponding asset is recorded resulting in a negative fund balance. The landfill fund also had a deficit balance of \$2,708,935. This is due to the recognition of a pollution remediation liability and corresponding expense. See note V.E. on page 79 for additional information on this liability.

IV. Detailed notes on all funds

A. Deposits, investments and restricted assets

As of December 31, 2009, the government had the following:

	<u>Fair Value</u>	<u>Weighted Average Maturities (Years)</u>
Local Government Investment Pool		
Total invested cash equivalents	\$23,381,552	.17
AIG Matching Funding Corp		
Total investments	\$3,228,987	7.88
Total fair value	\$26,610,539	
Portfolio weighted average maturity		1.10

All investments are stated at cost which approximates market value.

Credit rating. AIG Matching Fund Corporation investments have a Standards & Poors rating of A+. The Local Government Investment Pool does not have a credit rating due to the fact that they are governmental and do not subscribe to a rating service.

Interest rate risk. It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, but the policy does not state specific requirements.

Credit risk. The City policy allows the following types of investments in accordance with state law: demand or investment deposits in qualified public depositories located within the state; United States government bonds, notes, bills, certificates of indebtedness, or interim financing warrants of a local improvement district of the City of Walla Walla which is within the protection of the local improvement guaranty fund law; mutual funds and money market funds; bonds and other obligations of a metropolitan municipal corporation; notes or bonds secured by mortgages insured by the federal agencies or corporations; notes, bonds and debentures; the Local Government Investment Pool in the State Treasury; and such other investments authorized by law and approved by ordinance or resolution of the Walla Walla City council.

Concentration of credit risk. It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific class of securities. With the exception of U.S. Treasury securities and the state investment pool, no more than twenty percent shall be in bankers' acceptances and no more than ten percent in certificates of deposits with savings and loans.

Custodial credit risk – deposits. This is the risk that in the event of a bank failure, the government's deposits may not be returned. The City of Walla Walla does not have a policy in place for custodial credit risk. The State of Washington Public Deposit Protection Commission Act, implemented on August 11, 1969, was amended during the 2009 legislative session to fully protect public deposits in the result of bank failure. On 12/31/2009 the City of Walla Walla had \$11,451,100 on deposit with Baker Boyer National Bank. The FDIC insures those deposits up to \$250,000. The remaining amount on deposit, not insured by the FDIC, with Baker Boyer is \$11,201,100. This remaining amount is fully protected by the Public Deposit Protection Commission which results in a total credit risk of \$0.00 to the City of Walla Walla.

Custodial credit risk – investments. For an investment, there is the risk that, in the event of the failure of the counterparty, the government will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City limits its custodial credit risk by

holding investments that are insured and are registered or held by the City's agent in the City's name. Certificates of deposit 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). With regard to bankers' acceptances, no more than ten percent of the portfolio shall be with any one institution. With regard to certificates of deposit, no more than thirty-three percent of the portfolios shall be with any one financial institution.

B. Receivables

Taxes Receivable. The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed by the 6th day of the following month.

Property Tax Calendar

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

Property taxes are recorded as a receivable when levied, offset by deferred revenue. During the year, property tax revenues are recognized when cash is collected and deferred property tax revenue is reduced. Prior year tax levies were recorded using the same principal. Delinquent taxes totaled \$381,775, and since these funds are not available revenue recognition is deferred. Subsequent collections of delinquent amounts will be recorded as revenue in the period actually received.

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

- a. Except as otherwise provided for, the levy for a taxing district in any year shall be set so that the regular property taxes payable in the following year shall not exceed the limit factor of 101% multiplied by the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction, improvements to property, annexed property, and any increase in the assessed value of state-assessed property by the regular property tax levy rate of that district for the preceding year.
- b. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

The City's operating levy for 2009 was \$2.2545 per \$1,000 on a 2008 assessed valuation of \$2,029,385,473 for a total operating levy of \$4,575,216. The City's levy for 2010 was \$2.3951 per \$1,000 on a 2009 assessed valuation of \$1,941,465,273 for a total regular levy of \$4,649,972. Washington State Constitution and Washington State law, RCW 84.55.010, limits the levy rate.

Other Receivables. As of December 31, 2009 the City's individual major funds and nonmajor enterprise funds receivable balances include the applicable allowances for uncollectible accounts as follows:

Other Receivables											
	General	Major CIP	Nonmajor Gov't	Internal Serv Gov	Sanitation	Water/ Wstwr	Landfill	Amb	Nonmajor Ent	Internal Serv Bus	Total
Accts receivable	568,208	754,190	43,680	1,902	217,327	698,188	650,549	308,698	50,576	10,306	3,303,624
Accrued interest	-	-	-	-	-	71,918	-	-	-	-	71,918
Employcc rec.	594	-	-	-	-	-	-	-	-	-	594
Total	\$568,802	\$754,190	\$43,680	\$1,902	\$217,327	\$770,106	\$650,549	\$308,698	\$50,576	\$10,306	\$3,376,136

Receivables for the ambulance fund are reported net of allowance for uncollectible accounts. Using historical collection rates, it is estimated that 42% of the receivables or \$216,795 at December 31, 2009 will ultimately prove uncollectible.

Special assessments and deferred revenues. Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property taxes (general fund)	\$5,028,904	(unavailable)
Pre-paid cemetery services (general fund)	182,764	(unearned)
Property taxes (debt service fund)	1,132,942	(unavailable)
Special assessments not yet due (debt service fund)	<u>27,588</u>	(unavailable)
Total governmental deferred	<u>\$6,372,198</u>	

Notes receivable. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered. Since the City is unable by law to grant credit to any entity, all loans receivable are related to grant monies received from other agencies which have authorized the loan as part of the grant process. Repayments of these loans are used to establish revolving loan funds for loans that match the original grant purpose. The long term portion of those notes receivable are included in reserved fund balance as the assets are not available to liquidate liabilities in the current period.

C. Capital Assets

Capital asset activity for the year ending December 31, 2009 was as follows:

Primary Government	Beginning			Ending
Governmental activities	Balance	Increase	Decrease	Balance
Capital assets not being depreciated:				
Land	2,956,972	656,312	-	3,613,284
Construction in progress	2,313,987	2,460,704	858,759	3,915,932
Total capital assets not being depreciated	5,270,959	3,117,016	858,759	7,529,216
Capital assets being depreciated:				
Buildings	11,974,632	21,316	-	11,995,948
Improvements other than buildings	4,638,991	358,474	0	4,997,465
Machinery and equipment	2,717,166	310,457	11,250	3,016,373
Infrastructure	45,669,187	630,872	60,000	46,240,060
Total depreciated capital assets	64,999,976	1,321,119	71,250	66,249,846
Less accumulated depreciation for:				
Buildings	4,150,261	271,337	-	4,421,598
Improvements other than buildings	1,192,930	160,620	-	1,353,550
Machinery and equipment	1,421,478	250,467	8,000	1,663,945
Infrastructure	21,815,048	1,425,233	10,000	23,230,281
Total accumulated depreciation	28,579,717	2,107,657	18,000	30,669,374
Capital assets being depreciated, net	36,420,259	-786,537	53,250	35,580,472
Governmental activities capital, net	41,691,218	2,330,479	912,009	43,109,688
Business-type activities:				
Capital assets not being depreciated:				
Land	1,877,886	-	656,312	1,221,574
Construction in progress	13,294,681	4,619,111	5,180,066	12,733,726
Total non-depreciable assets	15,172,567	4,619,111	5,836,378	13,955,300
Business-type assets being depreciated:				
Buildings	30,422,541	177,674	-	30,600,215
Improvements other than buildings	7,068,376	1,999,765	-	9,068,141
Machinery and equipment	14,439,783	1,293,889	527,671	15,206,002
Infrastructure	78,527,109	1,735,584	126,092	80,136,601
Total capital assets	130,457,809	5,206,912	653,763	135,010,959
Less accumulated depreciation for:				
Buildings and system	11,425,077	597,495	-	12,022,572
Improvements other than buildings	1,904,898	186,048	-	2,090,946
Machinery and equipment	9,967,010	959,321	389,679	10,536,652
Infrastructure	18,588,064	1,585,671	1,667	20,172,068
Total accumulated depreciation	41,885,049	3,328,535	391,346	44,822,238
Capital assets being depreciated, net	88,572,760	1,878,377	262,417	90,188,721
Business-type activities capital, net	103,745,327	6,497,489	6,098,795	104,144,021

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	260,348
Security of persons and property	189,798
Physical environment	2,387
Transportation	1,428,711
Economic environment	2,956
Culture & recreational environment	<u>223,457</u>
Total depreciation expense - governmental activities	<u>\$2,107,657</u>

Business-type activities:

Golf Course	45,507
Sanitation	2,367
Water	876,088
Stormwater	10,722
Wastewater	1,328,106
Landfill	264,277
Ambulance	35,008
Fleet Services	3,560
Vehicle Replacement Fund	<u>762,901</u>
Total depreciation expense - business-type activities	<u>\$3,328,536</u>

Construction Commitments

The City has active construction projects as of December 31, 2009.

At year-end, the City's commitments with contractors are as follows:

	<u>Project Commitment</u>	<u>Spent to Date</u>	<u>PO Amount Remaining</u>
General construction	7,000	356	6,644
Street construction	3,476,910	1,216,902	2,260,008
Water construction	841,320	703,883	137,437
Wastewater construction	767,914	706,041	61,873
Stormwater construction	19,093	-	19,093
Landfill construction	405,946	289,869	116,077
Service Center construction	144,146	26,195	117,951
Total	<u>\$5,662,329</u>	<u>\$2,943,246</u>	<u>\$2,719,083</u>

D. Interfund loans receivable, payable and transfers

The composition of interfund loan balances as of December 31, 2009 is as follows:

Interfund Loans Payable

Loan Purpose	Due in More than One Year	General Outstanding 12/31/2009	Non-major Spec Revenue Outstanding 12/31/2009	Street Construction Outstanding 12/31/2009	Landfill Outstanding 12/31/2009	Wastewater Outstanding 12/31/2009	Non-major Enterprise Outstanding 12/31/2009	Internal Service Outstanding 12/31/2009
<i>Internal service funds</i>								
Driving Range	136,625	-	-	-	-	-	144,800	-
Eden Software	-	82,962	-	-	-	-	-	-
Phone System	34,718	68,020	-	-	-	-	-	-
LED Stoplights	227,759	-	260,776	-	-	-	-	-
Irrigation System	453,275	-	-	-	-	-	474,499	-
Landfill Area 7 Refi.	1,375,567	-	-	-	1,512,090	-	-	-
Landfill Construction	-	-	-	-	855,300	-	-	-
Abadie Street Impr.	413,912	-	-	680,000	-	130,000	-	-
Service Center	80,887	-	-	-	-	-	-	120,000
Total IF loans receivable:	\$2,722,743	\$150,982	\$260,776	\$680,000	\$2,367,390	\$130,000	\$619,299	\$120,000

Transfers between funds during the year ended December 31, 2009 are as follows:

Transfers From:

Transfers To:	Major Gov't General	Major Gov't Street Construction	Major Gov't Capital Construction	Total Non-major Gov't Various	Major Enterprise Water/Wastewater	Major Enterprise Sanitation	Major Enterprise Landfill	Total Internal Service	Total Transfers To:
General	-	43,554	17,500	25,000	-	-	-	101,770	187,824
Street Constr	64,670	-	-	37,679	409,984	-	-	-	512,333
Various	519,810	-	-	161,008	-	-	-	3,480	684,298
Water/Wastewater	-	-	-	-	-	-	-	8,210	8,210
Sanitation	-	-	-	-	-	-	20,230	7,080	27,310
Landfill	-	-	-	-	-	-	-	5,360	5,360
Ambulance	141,500	-	-	-	-	-	-	9,890	151,390
Stormwater	-	-	-	-	-	-	-	2,350	2,350
Various	1,915	-	-	70,492	-	180,000	-	131,860	384,267
Total Transfers From:	\$727,895	\$43,554	\$17,500	\$294,179	\$409,984	\$180,000	\$20,230	\$270,000	\$1,963,342

Transfers are used to 1) move revenues from the fund with the collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and funding street construction projects, 4) move amounts between funds to finance construction projects in accordance with the City's construction budget and 5) transfer excess proceeds from finished construction projects back to the contributing funds.

E. Leases

Operating leases. The City leases for \$10,000/year building space from the county for its emergency dispatch operations, renewable annually, and cancelable with six months notice. Emergency

communications pays annual rents for various tower sites throughout the year. These rents totaled \$10,700 for 2009.

F. Debt

Short Term Debt

The City issued a short term interfund loan from the Vehicle Replacement to the General Fund to begin design work on the police station. This loan was paid back with funds from the 2009 Police Station GO bond.

Debt	Beginning	Issued	Redeemed	Ending
	Balance			Balance
	1/1/2009			12/31/2009
IF loan - Police Station	-	94,200	94,200	-

Governmental Type Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities as well as enterprise activities. As bond proceeds used by Golf Course and Landfill activities are expected to be repaid by the revenues generated by those enterprise activities, they have been included as revenue bonds in Business Type debt. The 2005 bond issue is the only issue subject to arbitrage rules. All bonds were assigned a Standards & Poor's (S&P) rating of A+ as of October 2009.

Title	Purpose	Interest Rate	Original	Outstanding
1996 GO Bonds - Series A	Development Center	3.80%-5.60%	1,275,000	115,000
1996 GO Bonds - Deferred Series B	Development Center	5.30%-6.25%	1,291,550	579,403
2001 Refunding GO bonds	Public Parking Improvements	3.50%-4.65%	2,320,000	690,000
2004 GO bond - Fire station	Fire Station Improvements	2.50%-4.10%	4,500,000	3,665,000
2005 GO bond-Street Construction	Isaacs Street Construction	3.125%-4.5%	300,000	252,973
2009 GO bond-Police Station	Police Station	3.25%-4.375%	11,595,000	11,595,000
Total General Obligation Bonds			\$21,281,550	\$16,897,376

The annual debt service requirements to maturity are as follows:

Year Ending 12/31/2009	Governmental Activities	
	Interest	Principal
2010	780,720	913,728
2011	759,052	815,664
2012	742,079	804,587
2013	726,221	831,478
2014	706,736	860,307
2015-2019	2,391,923	4,001,071
2020-2024	1,414,017	4,525,540
2025-2029	556,575	4,145,000
Total	\$8,077,323	\$16,897,376

Business Type Debt

The City also issues bonds where the government pledges 100% of the revenues of the Water/Wastewater fund. Total Water/Wastewater pledged revenues in 2009 were \$8,392,633 and total debt service collateralized was \$5,244,692. The latest revenue bonds were assigned an S&P rating of A+.

Title	Purpose	Interest Rate	Original	Outstanding
Water/Wastewater Revenue Bond 2002	Capital construction	3.00%-4.25%	11,720,000	6,510,000
Water/Wastewater Revenue Bond 2005	Capital construction	3.00%-4.25%	12,595,000	12,140,000
Landfill Revenue Bond 2005	Capital construction	3.13%	3,073,000	2,362,558
Golf Course Revenue Bond 2005	Capital construction	3.13%	367,000	309,470
97-78897-038 Loan Water	Capital construction	1.00%	1,030,000	487,894
L9900019A Loan Wastewater	Capital construction	4.10%	14,220,127	8,842,357
PW-99-791-038 Loan Wastewater	Capital construction	1.00%	7,000,000	3,728,985
PW-02-691-060 Loan Wastewater	Capital construction	0.50%	5,159,197	3,616,265
PW-06-962-PRE-103 Loan Wastewater	Capital construction	1.00%	531,399	475,463
PW-07-962-018 Loan Wastewater	Capital construction	1.00%	6,823,104	6,480,261
Total Revenue Bonds & Notes			\$62,518,827	\$44,953,253

The annual debt service requirements to maturity are as follows:

Year Ending 12/31/2009	Business-Type Activities	
	Interest	Principal
2010	1,325,231	4,254,584
2011	1,188,424	4,398,136
2012	1,041,302	4,571,248
2013	886,385	4,232,213
2014	759,813	4,349,460
2015-2019	1,743,947	18,515,810
2020-2024	162,655	3,495,820
2025-2029	22,440	1,135,980
Total	\$7,130,197	\$44,953,253

Changes in long-term liabilities:

For the governmental activities, compensated absences are generally liquidated by the General and Streets Fund while workers' compensation claims are liquidated by the Industrial Insurance Internal Service Fund. Long-term liability activity for the year ended December 31, 2009, was as follows:

Governmental Activities	Beginning			Ending	Due
	Balance 1/1/2009	Additions	Reductions	Balance 12/31/2009	Within One Year
General Obligation Bonds:					
1996 GO bonds - Series A	225,000	-	110,000	115,000	115,000
1996 GO bonds - Deferred Series B	703,587	-	124,184	579,403	115,755
2001 Refunding GO bonds	815,000	-	125,000	690,000	130,000
2004 GO bond - Fire station	3,865,000	-	200,000	3,665,000	205,000
2005 GO bond-Street Construction	265,946	-	12,973	252,973	12,973
2009 GO bond-Police Station	-	11,595,000	-	11,595,000	335,000
Total General Obligation Bonds	\$5,874,533	\$11,595,000	\$572,157	\$16,897,376	\$913,728
Compensated absences	1,971,272	1,481,667	1,434,822	2,018,117	1,409,025
Workers' compensation claims	111,719	26,985	70,111	68,593	12,984
Net OPEB obligation	322,856	1,494,346	706,235	1,110,967	-
Total Governmental Activities	\$8,280,380	\$14,597,998	\$2,783,325	\$20,095,053	\$2,335,737

Business Activities	Beginning			Ending	Due
	Balance 1/1/2009	Additions	Reductions	Balance 12/31/2009	Within One Year
Water/Sewer Revenue Bond Payments:					
Water Bond 2002	7,545,000	-	1,740,000	5,805,000	1,830,000
Water Bond 2005	11,010,000	-	65,000	10,945,000	70,000
Total Water	18,555,000	-	1,805,000	16,750,000	1,900,000
WW Bond 2002	930,000	-	225,000	705,000	230,000
WW Bond 2005	1,325,000	-	130,000	1,195,000	135,000
Total Wastewater	2,255,000	-	355,000	1,900,000	365,000
Landfill Bond 2005	2,548,714	-	186,156	2,362,558	191,156
Golf Course Bond 2005	325,340	-	15,870	309,470	15,870
Total Bonds:	\$23,684,054	-	\$2,362,026	\$21,322,028	\$2,472,026
External Loan Payments:					
Water					
97-78897-038	542,105	-	54,211	487,894	54,211
Waste Water					
L9900019A	9,504,235	-	661,878	8,842,357	689,293
PW-99-791-038	4,101,883	-	372,898	3,728,985	372,898
PW-02-691-060	3,894,439	-	278,174	3,616,265	278,174
PW-06-962-PRE-103	503,431	-	27,968	475,463	27,968
PW-07-962-018	6,514,032	309,073	342,844	6,480,261	360,014
Total External Loans	25,060,125	309,073	1,737,973	23,631,225	1,782,558
Landfill Closure	3,870,012	1,235,475	265,521	4,839,966	2,736,928
Compensated Absences	595,535	428,690	459,669	564,556	431,672
Grand Total Business Activity:	\$53,209,726	\$1,973,238	\$4,825,189	\$50,357,775	\$7,423,184

G. Landfill closure and post-closure

Background: The City of Walla Walla owns the regional municipal landfills. The Sudbury Landfill is 970 acres of which 175 acres are currently active and permitted for disposal of solid waste. The active and permitted portion has an estimated remaining life of 175 years while the total land set aside by the City for the landfill has an estimated remaining life of 970 years. The City of Walla Walla owns a second 97 acre landfill, designated the Tausick Way Landfill, that has been closed and no longer accepts waste. An adjacent property Burdine site has been permitted as an inert waste from the adjoining Isaacs Avenue improvement project. The Tausick Way Landfill is maintained through the Landfill's O&M budget which includes mowing, pesticide spraying, methane monitoring, and fence repair. The Tausick Way Landfill was closed in 1975 and was not subject to current closure requirements that are mandated by the Department of Ecology.

The Sudbury Landfill is currently operating in what is called Area 6 and Area 7 Cells 1 & 2. Area 6 is approximately 17.3 acres and is scheduled for closure in 2010. Area 7 is the current designated landfill area with a total of 5 cells with Cells 1 and 2 currently being used. Construction of this new lined site began in 2005 and was completed in February 2006. Construction of Cell 3 began in 2007 and is scheduled to be completed in 2009. State and Federal laws and regulations mandate that as part of the closure process, the City of Walla Walla place a final cover and methane collection wells on Area 6 of the Sudbury Landfill. Once the Area 6 capacity is reached, the City is required to cover Area 6 and perform maintenance as well as monitoring functions at the site for thirty years following closure. Ecology has agreed to a modified closure of Area 6 that will involve portions of Area 7 and result in an increase in landfill area.

Closure and post closure costs: Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste in a designated area, the City must record a portion of these costs each year as an expense. That expense calculation is based upon the landfill capacity used in the reported period. The City must also recognize a liability that is directly related to the cumulative capacity consumed at the landfill. As of December 31, 2009, 100% of the landfill's total capacity of Area 6 has been consumed. The latest designs for area 7 indicate approximately 11.28% of Area 7 has been consumed as of December 31, 2009 based on survey performed by USKH in February 2009.

The City's closure and post-closure operations plan of Area 6 was approved by the Department of Ecology in 2004. This plan was prepared by a consultant and includes cost estimates for closing the landfill areas and providing for post-closure care. It was estimated that Area 6 (17.3 acres) would reach full volume capacity and require closure starting in 2008 and finishing in 2009. The total estimated closure costs for Area 6 with a soil cover is \$3,020,000. In 2008 Department of Ecology approved a change in design concept to fill the "v" space between Area 6 and Area 7 with the understanding a geomembrane liner will be used to construct the common side between the two areas. The installation of the geomembrane for the common side is considered a construction cost for Area 7. The total closure and post-closure costs for the full portions of Area 6 and Area 7 are estimated to be \$5,123,038 of which \$283,072 has been spent through December 31, 2009 leaving a remaining estimated liability of \$4,839,966. As of December 31, 2009, cash of \$2,325,153 has been accumulated and set aside for estimated closure and post-closure costs. The Financial Assurance Plan contained in the landfill's current operating permit (2004) indicates a balance of \$1,625,979 is required to be set aside as of December 31, 2009. An additional \$3,081,030 for closure and post-closure costs has not yet been recognized in the financial statements as it relates to the remaining unused portion of Area 7.

As part of the its budget process, the City reviews the closure and post-closure cost estimate from our landfill consultant and adjusts the liability to account for any needed adjustments based upon inflation, changes in technology, and/or changes in regulations. The total closure and post closure cost is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws or regulations.

V. Other Information

A. Risk management

The City of Walla Walla maintains insurance against most normal hazards except for general liability, health insurance, and workers compensation, where it has elected to become partially insured.

The City of Walla Walla is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 136 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

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

Sedgwick, CMS, Inc. manages the workers' compensation claims. Self-insurance is in effect for losses up to \$400,000 per occurrence. Those in excess of \$400,000 per occurrence or an aggregate of \$1,306,350 are insured by private insurance companies up to \$1,000,000 for aggregate claims and statutory for specific per occurrence claims.

Claims are processed by Sedgwick, CMS but are reviewed by the City Administration for verification. Based on the claims manager estimates, the City's estimated liability for probable losses at December 31, 2009 is \$68,592.60 for the Workers' Compensation program.

The City is required by the State to set aside, for protection to the Workers' Compensation Fund, \$100,000 in cash reserves. The City met this requirement. The fund's average monthly cash balance for 2009 was \$220,481.44. No reserves were necessary at year end as all claims are estimated below funded levels.

Workers' compensation claim settlement and loss expenses are accrued in the Industrial Insurance fund for the estimated settlement value of both reported and unreported claims up to the aggregate stop loss. This fund is responsible for collecting interfund premiums from insured funds and departments, for paying claim settlements, and for purchasing certain excess insurance policies. Interfund premiums for workers compensation is assessed on the number of employees and the average claims over the last three years and are reported as revenues and expenses.

	Year ended 12/31/08	Year ended 12/31/09
Unpaid claims, beginning of fiscal year	90,640.00	111,719.00
Incurred claims (including IBNRs)	108,023.20	26,984.90
Changes in estimate for claims, prior period	(9,355.80)	(24,067.00)
Payments on claims	(77,588.40)	(46,044.30)
Unpaid claims, end of fiscal year	<u>\$111,719.00</u>	<u>\$68,592.60</u>

B. Related organization

The City's relationship with the Housing Authority of Walla Walla qualifies as a related organization under GASB14. The Housing Authority was established as a separate entity in 1972. While the City does appoint all five of the board members, it cannot impose its will upon the Housing Authority operations. The City is also under no financial obligation and receives no financial benefit from this relationship.

C. Employee retirement systems, pension plans, and other post-employment benefits

Substantially, all City of Walla Walla full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

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

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

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees or September 1, 2002 for local

government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill with less than five years to live.

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

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased three percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 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 with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire 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 (based on the Consumer Price Index), capped at three percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC 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 of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003.

Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. PERS Plan 3 members who retire 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 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.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation. Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate. Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service. There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	73,122
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan Members Non-vested	56,456
	<hr/>
	Total 262,057

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

Members not participating in JBM:

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

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

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

***Plan 3 defined benefit portion only.

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

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

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	7.81%	7.81%	7.81%**
Employer-Local Govt.*	5.31%	5.31%	5.31%**
Employer-State Agency*	9.76%	7.25%	7.50%***
Employee-Local Govt.	12.26%	9.75%	7.50%***

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

**Plan 3 defined benefit portion only.

***Minimum rate.

Both the City of Walla Walla and the employees made the required contributions. The City of Walla Walla made 100% of the required contributions for the years ending December 31 as follows:

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$28,144	\$600,518	\$68,106
2008	\$37,794	\$595,856	\$54,644
2007	\$29,500	\$462,465	\$41,205

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, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

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

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

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

Term of Service	Percent of Final Average Salary
20 or more years	2.00%
10 but less than 20 years	1.50%
5 but less than 10 years	1.00%

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

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

There are 375 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	9,268
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	650
Active Plan Members Vested	13,120
Active Plan Members Non vested	3,927
Total	26,965

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF 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, 2009, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

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

**The employer rate for ports and universities is 8.99%.

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

	LEOFF Plan 1	LEOFF Plan 2
2009	\$580	\$375,988
2008	724	359,544
2007	906	324,859

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and become effective July 1, 2006.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A "covered employer" is one that participates in PSERS. Covered employers include; State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- have primary responsibility to supervise eligible members who meet the above criteria.

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

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	1
Terminated Plan Members Entitled to but not yet Receiving Benefits	-
Active Plan Members Vested	-
Active Plan Members Non-vested	3,981
Total	3,982

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under the state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2009, were as follows:

<u>PSERS Plan 2</u>	
Employer*	7.85%
Employee	6.55%

*The employer rate includes an employer administrative expense fee of 0.16%

The City of Walla Walla had no required contributions for the year ended December 31, 2009.

Local Governments Pension Trust Funds

Plan description

The City of Walla Walla also administers the firefighter pension retirement system. It is shown as a trust fund in the financial reports of the City of Walla Walla. Separate financial statements are not issued. This is a closed, small single-employer defined benefit plan called Firefighters' Pension Fund that was established in conformance with RCW 41.26. Since this is a closed plan, members do not make contributions. The amortization method is the Entry Age Normal Cost Method. The amortization period is 20 year closed beginning January 1, 2008. As of December 31, 2009 there are 18 years remaining.

No new employees have been covered by this plan since March 1, 1970. Pension obligations for all firefighters retired since March 1, 1970 have been assumed by LEOFF (except for certain minimal

benefits in excess of the LEOFF benefits). The City's liability under the Firefighter's pension plan is limited to benefits for covered firefighters retired prior to March 1, 1970 and excess benefits over LEOFF I for firefighters retired after March 1, 1970.

A member of the Firefighters' pension plan is eligible for retirement after completion of service for a period of 5 years or more and attainment of age 50. A member is eligible for disability benefits if disabled for a minimum of 6 months. An individual becomes vested after 5 years of service. Since there have been no new employees covered under this system since 1970, all employees are fully vested.

The Firefighters' Pension Fund makes two types of payments:

- Pensions to eligible members retired prior to March 1, 1970, or deceased members' spouses
- Amounts to certain eligible members retired after that date if the amount received from LEOFF does not equal or exceed the amount entitled from the prior pension fund

Benefits are calculated based on length of service (a percentage for each year of service) and on the final average salary (calculated over the last two years of credited service). There were no changes in benefit provisions in the current year.

**Covered individuals of the retirement system
Single employer – closed plan
December 31, 2008***

Firefighters Retired	15
Firefighters Disabled in the Line of Duty	14
Firefighters Disabled Not in the Line of Duty	5
Survivors of Firefighters	<u>8</u>
Total covered individuals	42

*Date of latest actuarial valuation

Summary of significant accounting policies

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which they are due and the City has made a commitment to provide the contributions. Expenses are recorded when due and payable in accordance with terms of the plan.

Contributions and reserves

The Firefighter's pension fund has four sources of revenues. A dedicated source of revenue is the fire insurance premium tax as authorized by RCW 41.16.050, \$38,193 in 2009. The City's general fund and Ambulance funds contributed \$278,400 and \$17,900 respectively in 2009. Interest from pooled cash and investments provides minimal income and was \$1,226 in 2009.

Funding status and progress

The Firefighter's pension fund has been operating on a pay-as-you-go basis. The information provided by the 2008 actuarial valuation is the only funding data available. In accordance with GASB 27, the amount of the pension liability at transition is zero.

Actuarial valuation of the fund is performed every three years, with the most recent valuation being performed on January 1, 2008. Accordingly, the next scheduled valuation is to be performed on

January 1, 2011. While assumptions are made regarding mortality, inflation, and wage rates, the City uses a projected cash flow rather than an actuarial funding plan to liquidate any unfunded liabilities. This projection is used to budget annual amounts to transfer to the fund for benefits. The ARC is computed using the entry age normal cost method. Under this method the projected benefits are allocated as a level dollar amount over a closed 20 year period beginning January 1, 2008. The actuarial value of assets is the fair market value.

The actuarial assumptions involving investment earnings and salary growth have been determined in accordance with the recommendation of the system's retained actuary. Under LEOFF, the benefit is adjusted after retirement in proportion to the change in the Consumer Price Index (CPI). The following assumptions are used in the most current study:

- 5.0 % return on present and future assets
- 4.0 % per year salary inflation
- CPI increases of 3.0 % per year

Schedule of Funding Progress

Pension benefits (\$ in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered payroll
January 1, 2008	\$186	\$3,884	\$3,698	5%	\$0	N/A

Schedule of Employer Contributions

Fiscal Year Ending	Employer Contributions	Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31, 2008	\$256,620	\$40,054	\$296,674	\$296,674	100%
December 31, 2009	\$296,300	\$38,193	\$334,493	\$296,674	113%

Annual Pension Cost and Net Pension Obligation

Annual required contribution (ARC)	Fiscal Year Ending 12/31/2009
1. Annual Normal Cost-beginning of year	-
2. Amortization of UAAL-beginning of year	282,547
3. Interest to end of year	<u>14,127</u>
4. ARC at end of year	296,674
5. Interest on NPO	-
6. Adjustment to ARC	-
7. Annual pension cost	296,674
8. Employer Contributions	<u>(334,493)</u>
9. Change in NPO	(37,819)
10. NPO at beginning of year	-
11. NPO at end of year	<u>\$ (37,819)</u>

Trend information*

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution as a Percentage of APC</u>	<u>Net Pension Obligation (NPO)</u>
December 31, 2008	296,674	100%	-
December 31, 2009	296,674	100%	(37,819)

*2008 is the first year data are available.

Annual Development of Pension Cost

<u>Fiscal Year Ending</u>	<u>Arc at EOY</u>	<u>Interest on NPO</u>	<u>Arc Adjust</u>	<u>Annual Pension Cost (APC)</u>	<u>Total Employer Contributions</u>	<u>Change in NPO</u>	<u>NPO Balance</u>	<u>(Gain)/ Loss</u>	<u>Amort. Factor @ 20 years</u>	<u>Amort. Of (Gain)/ Loss</u>	<u>Ending Balance</u>
12/31/2008	296,674	-	-	296,674	296,674	-	-	-	13.0853	-	-
12/31/2009	\$ 296,674	\$ -	\$ -	296,674	334,493	(37,819)	(37,819)	(37,819)	13.0853	\$ -	(37,819)

Other Post Employment Benefits

Plan Description

The City of Walla Walla Health Plan (the Health Plan) is a single-employer defined-benefit healthcare plan administered by the City of Walla Walla Law Enforcement Officers and Fire Fighters Disability Board in accordance with RCW 41.26: *Law enforcement officers' and firefighters' retirement system*. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees. We have used the alternative measurement method permitted under GASB 45 to determine the ARC. The Health Plan does not issue a separate stand-alone financial report. The plan covers 63 employees of which four are active employees and the remaining 59 are retirees.

Funding Policy

The LEOFF 1 medical benefit requirements are established by RCW 41.26.150(1) with local disability boards administering the LEOFF 1 medical service expenses. LEOFF 1 retirees are not required to contribute to the Health Plan.

Amounts contributed in 2009, 2008, and 2007 were \$678,010, \$723,380, and \$627,530 respectively. The City's contribution was to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits.

Annual OPEB Cost and Net OPEB Obligation

The basis for the City's annual OPEB cost (expense) is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, will cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following displays the components of the City's annual OPEB cost, the estimated amount contributed to the Health Plan, and changes in the City's net OPEB obligation to the Health Plan for the year ended December 31, 2009:

Annual Normal Cost	\$29,536
Amortization of unfunded actuarial accrued liability	1,452,118
Annual Required Contribution	1,481,654
Interest on net OPEB obligation	14,529
Adjustment to ARC	(30,062)
Annual OPEB cost (expense)	1,466,121
Employer contributions	(678,010)
Change in net OPEB obligation	788,111
Net OPEB obligation - beginning of year	322,856
Net OPEB obligation - end of year	<u>\$1,110,967</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	1,046,236	69.1%	322,856
12/31/2009	1,466,121	46.2%	1,110,967

Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2009 is shown below:

Actuarial accrued liability (AAL)	15,575,359
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	15,575,359
Funded ratio (actuarial value of plan assets ÷ AAL)	0.0%
Covered payroll	-
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

The City has used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.22 was assumed for all active members for the purpose of determining the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the September 30, 2006 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The actuarial assumptions included a 4.5 percent investment rate of return and an annual healthcare cost trend rate of nine

percent initially, reduced by decrements to an ultimate rate of five percent after seven years. Both rates include a 3.5 percent inflation assumption.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
12/31/2008	-	16,347,958	16,347,958	0.0%	-	N/A
12/31/2009	-	15,575,359	15,575,359	0.0%	-	N/A

Pension and Other Post Employment Benefit Financial Statements

City of Walla Walla
Statement of Plan Net Assets
Pension and Other Employee Benefit Trust Funds
December 31, 2009

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other employee Benefits
ASSETS			
Cash and equivalents	108,179	188,071	296,250
Total assets	<u>108,179</u>	<u>188,071</u>	<u>296,250</u>
LIABILITIES			
Accounts payable	2,500	-	2,500
Other accrued liabilities	-	22,479	22,479
Total Liabilities	<u>2,500</u>	<u>22,479</u>	<u>24,979</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 105,679</u>	<u>\$ 165,592</u>	<u>\$ 271,271</u>

City of Walla Walla
Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended December 31, 2009

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other employee Benefits
ADDITIONS			
Contributions:			
Intergovernmental revenues	-	38,193	38,193
Employer contributions	678,010	296,300	974,310
Total Contributions	678,010	334,493	1,012,503
Investment earnings:			
Interest on investments	786	1,226	2,012
Total investment earnings	786	1,226	2,012
Net Investment Earnings	786	1,226	2,012
Total additions	678,796	335,719	1,014,515
DEDUCTIONS			
Personnel benefits	678,673	282,154	960,827
Total deductions	678,673	282,154	960,827
Change in Net Assets	123	53,565	53,688
Net Assets-- beginning of the year	105,556	112,027	217,583
Net Assets -- end of the year	\$ 105,679	\$ 165,592	\$ 271,271

Deferred compensation plan

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is administered by the International City Managers Association's Retirement Corporation, and the second is administered by the Baker Boyer Trust Department. The funds are held in trust for the participants and their beneficiaries. The plans, available to all employees, permit them to defer a portion of their salary until future years. For January 1, 2002 the City match remained at 1% on base. Then, the City of Walla Walla implemented a City match of 3% on base starting July 01, 2002, but employees must participate at the same level to obtain deferred comp. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The amounts withheld from the employee's earnings and the related matching contribution from the City are remitted to the third party administrators after each payroll and the City incurs no further liability once the funds have been remitted to the trust. According to the trust, in no event shall the City's liability to pay benefits to a participant under the plan exceed the value of the amounts credited to the participant's account; neither the City nor Administrator shall be liable for losses arising from depreciation or shrinkage in the value of any of the investments acquired under the plans.

D. Prior Period Adjustments

Several adjustments were made to the 2009 beginning fund balances of both governmental and business type activities. The first adjustment was a result of a City-wide inventory of capital assets which revealed corrections that needed to be made. The second type of adjustment was to compensated absences. After implementing an additional control over these balances we discovered that they were highly overstated and a corresponding adjustment was made. The third type of adjustment was made after recalculating Ambulance bad debt based on the last three years'

collections. The final type of adjustment was due to changes in the accrual of various receivables and payables.

	Prior Period Adjustments		
	Governmental Activities	Business-type Activities	
Fixed Assets			
Assets	117,378	(166,868)	
Accumulated depreciation	(59,290)	158,674	
Net Effect on Beginning	58,088	(8,194)	
Compensated Absences			
Current	(9,775)	(15,671)	
Long-term	820,084	471,708	
Net Effect on Beginning	810,309	456,037	
Ambulance Bad Debt			
Allowance for uncollectable	-	100,967	
Net Effect on Beginning	-	100,967	
Property/Bond Tax			
General	26,308	-	
Fire Bond	2,345	-	
Net Effect on Beginning	28,654		
Misc			
Receivable	8,937	2,390	
Payable	(8,000)	996	
Net Effect on Beginning	937	3,386	
Total Net Effect on Beginning	\$ 897,987	\$ 552,195	\$ 1,450,183

E. Pollution Remediation Obligation

GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* became effective for fiscal periods beginning after December 15, 2007. GASB 49 identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and provides guidance on how to calculate and report the costs of obligations associated with pollution cleanup efforts.

Pursuant to GASB Statement 49 the City is reporting a \$3,241,727 liability in its Landfill Enterprise Fund for its estimated liability due to its standing as a potentially responsible party in the Sudbury Road Landfill site. The Sudbury Road Landfill is a City owned and operated landfill which the Washington State Department of Ecology determined required remediation in 2008 pursuant to the Model Toxics Control Act. An Early Notice Letter for groundwater contamination at the Sudbury Road Landfill was signed by the Department of Ecology on January 7, 2010. The remediation liability is calculated based on a planning-level cost estimate for remedial investigation/feasibility study, anticipated internal engineering costs, legal fees, and payments to the Department of Ecology. The City is funding the remediation costs with rate revenues.

The Tausick Way Landfill is a properly closed former permitted municipal waste landfill which was operated by the City between the 1940s and 1970s. The adjacent Burdine property is a former privately operated inert waste depository upon which municipal waste may have intruded. The City

currently owns both sites. An early notice letter was signed by the Department of Ecology in 2004 stating that contaminated soil was reportedly found on the Burdine property. The City was granted an inert landfill permit for the Burdine property in 2006 which requires the City to perform groundwater monitoring. It has not yet been determined whether the City will be required to take remedial action and the scope of such action, if any. Therefore, any associated pollution remediation liability, if any, for either the Tausick Way Landfill or the Burdine property is not reasonably estimable.

F. Contingencies and Litigations

The City's financial statements include all material liabilities. There are no material contingent liabilities to record.

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.

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are leagally restricted to expenditures for particular purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Permauent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

City of Walla Walla
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009

	Special Revenue	Debt Service	Capital Project	Permanent	Other Governmental
ASSETS					
Cash and equivalents	1,239,144	162,699	104,091	15,795	1,521,729
Restricted cash & cash equivalents	-	-	-	844,823	844,823
Taxes receivables (net)	-	1,132,942	-	-	1,132,942
Other receivables (net)	40,416	283	212	2,769	43,680
Special assessments receivable	-	50,702	-	-	50,702
Notes receivable	57,077	-	-	-	57,077
Total assets	<u>\$ 1,336,637</u>	<u>\$ 1,346,626</u>	<u>\$ 104,303</u>	<u>\$ 863,387</u>	<u>\$ 3,650,953</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	20,633	-	-	-	20,633
Other accrued liabilities	33,373	-	-	-	33,373
Interfund loans payable	260,776	-	-	-	260,776
Deferred revenues	-	1,160,530	-	-	1,160,530
Total liabilities	<u>314,782</u>	<u>1,160,530</u>	<u>-</u>	<u>-</u>	<u>1,475,312</u>
Fund balances:					
Reserved for					
Endowment Principal	-	-	-	844,823	844,823
Unreserved, reported in:					
Special Revenue	1,021,855	-	-	-	1,021,855
Debt Service	-	186,096	-	-	186,096
Capital Projects	-	-	104,303	-	104,303
Permanent Fund	-	-	-	18,564	18,564
Total fund balances	<u>1,021,855</u>	<u>186,096</u>	<u>104,303</u>	<u>863,387</u>	<u>2,175,641</u>
Total liabilities and fund balances	<u>\$ 1,336,637</u>	<u>\$ 1,346,626</u>	<u>\$ 104,303</u>	<u>\$ 863,387</u>	<u>\$ 3,650,953</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2009

	Special Revenue	Debt Service	Capital Project	Permanent	Other Governmental
REVENUES					
Taxes	770,758	9,597	-	-	780,355
Licenses and permits	164,959	-	-	-	164,959
Intergovernmental revenues	703,058	-	-	-	703,058
Charges for goods and services	152,098	-	-	21,550	173,648
Fines and forfeitures	4,550	-	-	-	4,550
Miscellaneous revenues	53,057	17,634	24,506	6,450	101,647
Total revenues	<u>1,848,480</u>	<u>27,231</u>	<u>24,506</u>	<u>28,000</u>	<u>1,928,217</u>
EXPENDITURES					
Current:					
Public safety	44,732	-	67,922	-	112,654
Utilities and environment	3,962	-	-	-	3,962
Transportation	1,345,951	-	-	-	1,345,951
Economic environment	79,457	-	-	-	79,457
Culture and recreation	594,673	-	1,029	31	595,733
Debt service:					
Principal Retirement	-	337,973	-	-	337,973
Interest	11,701	183,828	-	-	195,529
Administrative charges	-	1,260	-	-	1,260
Capital outlay:					
Public safety	-	-	9,066	-	9,066
Culture and recreation	-	-	212,482	-	212,482
Total expenditures	<u>2,080,476</u>	<u>523,061</u>	<u>290,499</u>	<u>31</u>	<u>2,894,067</u>
Excess (deficiency) of revenues over expenditures	<u>(231,996)</u>	<u>(495,830)</u>	<u>(265,993)</u>	<u>27,969</u>	<u>(965,850)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	385,930	184,437	113,931	-	684,298
Transfers out	(269,179)	-	-	(25,000)	(294,179)
Proceeds from disposal of capital assets	8,000	-	-	-	8,000
Total other financing sources and uses	<u>124,751</u>	<u>184,437</u>	<u>113,931</u>	<u>(25,000)</u>	<u>398,119</u>
Net Change in fund balances	<u>(107,245)</u>	<u>(311,393)</u>	<u>(152,062)</u>	<u>2,969</u>	<u>(567,731)</u>
Fund balances -- beginning	1,129,100	497,489	256,365	860,418	2,743,372
Fund balances -- ending	<u>\$ 1,021,855</u>	<u>\$ 186,096</u>	<u>\$ 104,303</u>	<u>\$ 863,387</u>	<u>\$ 2,175,641</u>

**City of Walla Walla
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2009**

	Streets	Capital Improvement	Housing Development	Hotel/ Motel Tax	UDAG	Drug Fund	Community Development	Code Enforcement	Total Special Revenue
ASSETS									
Cash and equivalents	42,506	53,694	180,054	128,672	175,942	402,120	7,504	248,652	1,239,144
Other receivables (net)	40,117	-	82	-	-	-	-	217	40,416
Notes receivable	-	-	-	-	57,077	-	-	-	57,077
Total assets	<u>\$ 82,623</u>	<u>\$ 53,694</u>	<u>\$ 180,136</u>	<u>\$ 128,672</u>	<u>\$ 233,019</u>	<u>\$ 402,120</u>	<u>\$ 7,504</u>	<u>\$ 248,869</u>	<u>\$ 1,336,637</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	5,261	-	-	15,000	-	372	-	-	20,633
Other accrued liabilities	33,373	-	-	-	-	-	-	-	33,373
Interfund loans payable	260,776	-	-	-	-	-	-	-	260,776
Total liabilities	<u>299,410</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>372</u>	<u>-</u>	<u>-</u>	<u>314,782</u>
Fund Balances:									
Unreserved, reported in									
Special Revenue	(216,787)	53,694	180,136	113,672	233,019	401,748	7,504	248,869	1,021,855
Total fund balances	<u>(216,787)</u>	<u>53,694</u>	<u>180,136</u>	<u>113,672</u>	<u>233,019</u>	<u>401,748</u>	<u>7,504</u>	<u>248,869</u>	<u>1,021,855</u>
Total liabilities and fund balances	<u>\$ 82,623</u>	<u>\$ 53,694</u>	<u>\$ 180,136</u>	<u>\$ 128,672</u>	<u>\$ 233,019</u>	<u>\$ 402,120</u>	<u>\$ 7,504</u>	<u>\$ 248,869</u>	<u>\$ 1,336,637</u>

City of Walla Walla
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year Ended December 31, 2009

	Streets	Capital Improvement	Housing Development	Hotel/ Motel Tax	UDAG	Drug Fund	Community Development	Code Enforcement	Total Special Revenue
REVENUES									
Taxes	-	192,846	-	577,912	-	-	-	-	770,758
Licenses and permits	164,959	-	-	-	-	-	-	-	164,959
Intergovernmental revenues	703,058	-	-	-	-	-	-	-	703,058
Charges for goods and services	152,098	-	-	-	-	-	-	-	152,098
Fines and forfeitures	-	-	-	-	-	4,550	-	-	4,550
Miscellaneous revenues	633	786	14,871	594	3,495	30,924	54	1,700	53,057
Total revenues	1,020,748	193,632	14,871	578,506	3,495	35,474	54	1,700	1,848,480
EXPENDITURES									
Current:									
Public safety	-	-	-	-	-	44,732	-	-	44,732
Utilities and environment	-	-	-	-	-	-	-	3,962	3,962
Transportation	1,345,951	-	-	-	-	-	-	-	1,345,951
Economic environment	-	-	79,457	-	-	-	-	-	79,457
Culture and recreation	-	-	-	594,673	-	-	-	-	594,673
Debt service:									
Interest	11,701	-	-	-	-	-	-	-	11,701
Total expenditures	1,357,652	-	79,457	594,673	-	44,732	-	3,962	2,080,476
Excess (deficiency) of revenues over expenditures	(336,904)	193,632	(64,586)	(16,167)	3,495	(9,258)	54	(2,262)	(231,996)
OTHER FINANCING SOURCES (USES)									
Transfers in	385,930	-	-	-	-	-	-	-	385,930
Transfers out	(7,679)	(205,000)	-	-	(56,500)	-	-	-	(269,179)
Proceeds from disposal of capital assets	8,000	-	-	-	-	-	-	-	8,000
Total other financing sources and uses	386,251	(205,000)	-	-	(56,500)	-	-	-	124,751
Net change in fund balances	49,347	(11,368)	(64,586)	(16,167)	(53,005)	(9,258)	54	(2,262)	(107,245)
Fund balance - beginning	(266,134)	65,062	244,722	129,839	286,024	411,006	7,450	251,131	1,129,100
Fund balance - ending	\$ (216,787)	\$ 53,694	\$ 180,136	\$ 113,672	\$ 233,019	\$ 401,748	\$ 7,504	\$ 248,869	\$ 1,021,855

City of Walla Walla
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2009

	L.T.G.O Bond	LID 765- Downtown Revitalization	CLID #2	LID Guarantee	Total Nonmajor Debt Service
ASSETS					
Cash and equivalents	51,749	66,482	41,134	3,334	162,699
Taxes receivables	1,132,942	-	-	-	1,132,942
Other receivables (net)	283	-	-	-	283
Special assessments receivable	-	-	50,702	-	50,702
Total assets	\$ 1,184,974	\$ 66,482	\$ 91,836	\$ 3,334	\$ 1,346,626
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenues	1,132,942	-	27,588	-	1,160,530
Total liabilities	1,132,942	-	27,588	-	1,160,530
Fund balances:					
Unreserved, reported in					
Debt Service	52,032	66,482	64,248	3,334	186,096
Total fund balances	52,032	66,482	64,248	3,334	186,096
Total liabilities and fund balances	\$ 1,184,974	\$ 66,482	\$ 91,836	\$ 3,334	\$ 1,346,626

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2009

	L.T.G.O Bond	LID 765- Downtown Revitalization	CLID #2	LID Guarantee	Total Nonmajor Debt Service
REVENUES					
Taxes	9,597	-	-	-	9,597
Miscellaneous revenues	460	476	16,673	25	17,634
Total revenues	<u>10,057</u>	<u>476</u>	<u>16,673</u>	<u>25</u>	<u>27,231</u>
EXPENDITURES					
Debt service:					
Principal Retirement	337,973	-	-	-	337,973
Interest	183,828	-	-	-	183,828
Administrative charges	1,260	-	-	-	1,260
Total expenditures	<u>523,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523,061</u>
Excess (deficiency) of revenues over expenditures	<u>(513,004)</u>	<u>476</u>	<u>16,673</u>	<u>25</u>	<u>(495,830)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	184,437	-	-	-	184,437
Total other financing sources and uses	<u>184,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,437</u>
Net change in fund balances	<u>(328,567)</u>	<u>476</u>	<u>16,673</u>	<u>25</u>	<u>(311,393)</u>
Fund balances -- beginning	380,599	66,006	47,575	3,309	497,489
Fund balances -- ending	<u>\$ 52,032</u>	<u>\$ 66,482</u>	<u>\$ 64,248</u>	<u>\$ 3,334</u>	<u>\$ 186,096</u>

City of Walla Walla
Combining Balance Sheet
Nonmajor Capital Project Funds
December 31, 2009

	Fire CIP's	Parks CIP's	Total Nonmajor Capital Project
ASSETS			
Cash and equivalents	99,340	4,751	104,091
Other receivables (net)	-	212	212
Total assets	<u>\$ 99,340</u>	<u>\$ 4,963</u>	<u>\$ 104,303</u>
LIABILITIES AND FUND BALANCES			
Liabilities:	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved, reported in:			
Capital Projects	99,340	4,963	104,303
Total fund balances	<u>99,340</u>	<u>4,963</u>	<u>104,303</u>
Total liabilities and fund balances	<u>\$ 99,340</u>	<u>\$ 4,963</u>	<u>\$ 104,303</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended December 31, 2009

	Fire CIP's	Parks CIP's	Total Nonmajor Capital Project
REVENUES			
Miscellaneous revenues	646	23,860	24,506
Total revenues	<u>646</u>	<u>23,860</u>	<u>24,506</u>
EXPENDITURES			
Current:			
Public Safety	67,922	-	67,922
Culture and recreation	-	1,029	1,029
Capital outlay:			
Public Safety	9,066	-	9,066
Culture and recreation	-	212,482	212,482
Total expenditures	<u>76,988</u>	<u>213,511</u>	<u>290,499</u>
Excess (deficiency) of revenues over expenditures	<u>(76,342)</u>	<u>(189,651)</u>	<u>(265,993)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	113,931	113,931
Total other financing sources and uses	<u>-</u>	<u>113,931</u>	<u>113,931</u>
Net change in fund balances	<u>(76,342)</u>	<u>(75,720)</u>	<u>(152,062)</u>
Fund balances -- beginning	175,682	80,683	256,365
Fund balances -- ending	<u>\$ 99,340</u>	<u>\$ 4,963</u>	<u>\$ 104,303</u>

**City of Walla Walla
 Combining Balance Sheet
 Nonmajor Permanent Funds
 December 31, 2009**

	<u>Esther Eyruad</u>	<u>Sherwood Library</u>	<u>Cemetery Endowment</u>	<u>Total Nonmajor Permanent</u>
ASSETS				
Cash and equivalents	10,077	792	4,926	15,795
Restricted cash and cash equivalents	3,000	13,545	828,278	844,823
Other receivables (net)	-	-	2,769	2,769
Total assets	<u>\$ 13,077</u>	<u>\$ 14,337</u>	<u>\$ 835,973</u>	<u>\$ 863,387</u>
LIABILITIES AND FUND BALANCES				
Liabilities:	-	-	-	-
Fund balances:				
Reserved for endowment principal	3,000	13,545	828,278	844,823
Unreserved, reported in				
Permanent Fund	10,077	792	7,695	18,564
Total fund balances	<u>13,077</u>	<u>14,337</u>	<u>835,973</u>	<u>863,387</u>
Total liabilities and fund balances	<u>\$ 13,077</u>	<u>\$ 14,337</u>	<u>\$ 835,973</u>	<u>\$ 863,387</u>

City of Walla Walla
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Permanent Funds
 For the Year Ended December 31, 2009

	<u>Esther Eyruad</u>	<u>Sherwood Library</u>	<u>Cemetery Endowment</u>	<u>Total Nonmajor Permanent</u>
REVENUES				
Charges for goods and services	-	-	21,550	21,550
Miscellaneous revenues	94	102	6,254	6,450
Total revenues	<u>94</u>	<u>102</u>	<u>27,804</u>	<u>28,000</u>
EXPENDITURES				
Current:				
Culture and recreation	31	-	-	31
Total expenditures	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
Excess (deficiency) of revenues over expenditures	<u>63</u>	<u>102</u>	<u>27,804</u>	<u>27,969</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(25,000)	(25,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(25,000)</u>
Net change in fund balances	63	102	2,804	2,969
Fund balances – beginning	13,014	14,235	833,169	860,418
Fund balances – ending	<u>\$ 13,077</u>	<u>\$ 14,337</u>	<u>\$ 835,973</u>	<u>\$ 863,387</u>

City of Walla Walla
Other Governmental Funds
Schedule of Expenditures - Budget to Actual
For Year Ended December 31, 2009

	Final Budget 2009-2010 Biennium	Actual Biennium To-Date Thru 12/31/09	Variance with Final Budget Positive (Negative)
Special Revenue Funds			
Street	2,803,580	1,397,081 *	1,406,499
Capital Improvement	380,000	205,000	175,000
Housing Development	79,460	79,457	3
Hotel-Motel Tax	1,195,250	594,673	600,577
UDAG	113,000	56,500	56,500
Drug enforcement	144,445	44,732	99,713
Community Development	-	-	-
Code Enforcement	6,320	3,962	2,358
Total Expenditures	<u>4,722,055</u>	<u>2,381,405</u>	<u>2,340,650</u>
Debt Service Funds			
L.T.G.O Bond	1,817,960	523,061	1,294,899
LID 765-Downtown Revital	-	-	-
CLID #2	-	-	-
LID Guarantee	-	-	-
Total Expenditures	<u>1,817,960</u>	<u>523,061</u>	<u>1,294,899</u>
Capital Project Funds			
General CIP's	11,489,490	1,081,225 **	10,408,265
Library CIP's	-	-	-
Fire CIP's	175,680	76,988	98,692
Parks CIP's	318,730	213,511	105,219
Street CIP's	11,048,848	2,042,842	9,006,006
Capital CIP's	-	-	-
Total Expenditures	<u>23,032,748</u>	<u>3,414,566</u>	<u>19,618,182</u>
Permanent Funds			
Esther Eyruad	660	31	629
Sherwood Library	820	-	820
Cemetery Endowment	51,000	25,000	26,000
Total Expenditures	<u>52,480</u>	<u>25,031</u>	<u>27,449</u>

* Actual amounts are presented on a budgetary basis of accounting which is different from the financial statement basis of accounting. Repayment of interfund loans is considered an expenditure for budgetary purposes only.

Expenditures on a budgetary basis	1,397,081
Less Interfund loan principal payment	(31,750)
Expenditures on a financial statement basis	<u>1,365,331</u>

** Actual amounts are presented on a budgetary basis of accounting which is different from the financial statement basis of accounting. Bond issuance costs are reported net for budgetary purposes only.

Expenditures on a budgetary basis	1,081,225
Add Bond issuance and premium costs	259,501
Expenditures on a financial statement basis	<u>1,340,726</u>

Nonmajor Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for the financing of goods or services for which a fee is charged to external users for use of those goods and services.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis.

City of Walla Walla
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2009

	Golf Course	Stormwater	Total Other Enterprise
ASSETS			
Current assets:			
Cash and equivalents	77,671	257,764	335,435
Other receivables (net)	1,327	49,250	50,577
Total current assets	<u>78,998</u>	<u>307,014</u>	<u>386,012</u>
Noncurrent assets:			
Land	38,508	16,907	55,415
Improvements other than buildings (net)	995,800	194,445	1,190,245
Machinery and equipment (net)	10,507	467	10,974
Infrastructure (net)	125,471	433,095	558,566
Construction in progress	290,292	20,580	310,872
Total noncurrent assets	<u>1,460,578</u>	<u>665,494</u>	<u>2,126,072</u>
Total assets	<u>1,539,576</u>	<u>972,508</u>	<u>2,512,084</u>
LIABILITIES			
Current liabilities:			
Other accrued liabilities	2,779	16,666	19,445
Compensated absences	-	20,678	20,678
Current portion long term debt	15,870	-	15,870
Interfund loans payable	29,399	-	29,399
Total current liabilities	<u>48,048</u>	<u>37,344</u>	<u>85,392</u>
Long-term liabilities:			
Compensated absences	-	3,955	3,955
Long term debt	293,601	-	293,601
Interfund loans payable	589,900	-	589,900
Total noncurrent liabilities	<u>883,501</u>	<u>3,955</u>	<u>887,456</u>
Total liabilities	<u>931,549</u>	<u>41,299</u>	<u>972,848</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,151,107	665,494	1,816,601
Unrestricted	(543,080)	265,715	(277,365)
Total net assets	<u>608,027</u>	<u>931,209</u>	<u>1,539,236</u>

City of Walla Walla
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2009

	Golf Course	Stormwater	Total Other Enterprise
Operating revenues:			
Intergovernmental revenues	1,327	9,678	11,005
Charges for goods and services	27,807	882,822	910,629
Total operating revenues	<u>29,134</u>	<u>892,500</u>	<u>921,634</u>
Operating expenses:			
Depreciation	45,507	10,722	56,229
Bad debt expense	-	29	29
Salaries and wages	-	222,814	222,814
Personnel benefits	-	87,299	87,299
Supplies	6,579	13,302	19,881
Services and charges	3,824	19,694	23,518
Intergovernmental services	-	101,930	101,930
Interfund service payments	31,540	275,379	306,919
Total operating expenses	<u>87,450</u>	<u>731,169</u>	<u>818,619</u>
Operating income (loss)	<u>(58,316)</u>	<u>161,331</u>	<u>103,015</u>
Nonoperating revenues (expenses):			
Miscellaneous revenues	55,160	1,131	56,291
Debt service-interest	(47,362)	-	(47,362)
Total non operating revenue (expenses)	<u>7,798</u>	<u>1,131</u>	<u>8,929</u>
Income (loss) before contributions and transfers	<u>(50,518)</u>	<u>162,462</u>	<u>111,944</u>
Capital contributions	5,000	-	5,000
Transfers in	-	2,350	2,350
Change in net assets	<u>(45,518)</u>	<u>164,812</u>	<u>119,294</u>
Total net assets – beginning	<u>653,545</u>	<u>766,397</u>	<u>1,419,942</u>
Total net assets – ending	<u><u>608,027</u></u>	<u><u>931,209</u></u>	<u><u>1,539,236</u></u>

City of Walla Walla
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended December 31, 2009

	Golf Course	Stormwater	Total Other Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash from customers	27,807	908,589	936,396
Cash from grants	-	(1,124)	(1,124)
Other miscellaneous cash inflows	54,350		54,350
Payments to suppliers	(10,551)	(134,815)	(145,366)
Payments to employees	-	(307,992)	(307,992)
Interfund service payments	(31,540)	(275,379)	(306,919)
Net cash provided by operating activities	<u>40,066</u>	<u>189,279</u>	<u>229,345</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	2,350	2,350
Total cash flows from financing	<u>-</u>	<u>2,350</u>	<u>2,350</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayments of interfund loans	(28,135)	-	(28,135)
Purchase of capital assets	(9,816)	(20,580)	(30,396)
Capital contributions and purchases	5,000	-	5,000
Principal and interest payments	(63,272)	-	(63,272)
Total cash flows from capital and related	<u>(96,223)</u>	<u>(20,580)</u>	<u>(116,803)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	807	1,131	1,938
Total cash flows from investing	<u>807</u>	<u>1,131</u>	<u>1,938</u>
Net increase (decrease) in cash and cash equivalents	<u>(55,350)</u>	<u>172,180</u>	<u>116,830</u>
Beginning cash and cash equivalents	133,021	65,584	218,605
Ending cash and cash equivalents	<u>77,671</u>	<u>257,764</u>	<u>335,435</u>
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(58,316)	161,331	103,015
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	45,507	10,722	56,229
Misc revenues classified as non-operating	54,350	-	54,350
(Increase) decrease in accounts receivable	(1,327)	14,994	13,667
Increase (decrease) in accounts payable	(148)	111	(37)
Increase (decrease) in salaries & benefits	-	2,121	2,121
Net cash provided by operating activities	<u>40,066</u>	<u>189,279</u>	<u>229,345</u>

No noncash investing, capital, and financing activities

City of Walla Walla
Combining Statement of Net Assets - Internal Service Funds
December 31, 2009

	Business-type activities		Governmental-type activities			Total Internal Service	
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance		Industrial Insurance
ASSETS							
Current assets:							
Cash and equivalents	6,838	2,729,398	385,496	347,330	164,288	261,504	3,894,854
Other receivables (net)	1,104	9,203	1,902	-	-	-	12,209
Interfund loans receivable	-	1,605,705	-	-	-	-	1,605,705
Inventories	102,259	-	-	-	-	-	102,259
Total current assets	<u>110,201</u>	<u>4,344,306</u>	<u>387,398</u>	<u>347,330</u>	<u>164,288</u>	<u>261,504</u>	<u>5,615,027</u>
Noncurrent assets:							
Interfund loans receivable	-	2,722,742	-	-	-	-	2,722,742
Land	-	-	-	135,600	-	-	135,600
Buildings and structures (net)	-	-	-	2,679,936	-	-	2,679,936
Machinery and equipment (net)	52,616	3,877,301	153,211	-	-	-	4,083,128
Infrastructure (net)	-	-	-	15,284	-	-	15,284
Construction in progress	-	-	-	56,097	-	-	56,097
Total noncurrent assets	<u>52,616</u>	<u>6,600,043</u>	<u>153,211</u>	<u>2,886,917</u>	<u>-</u>	<u>-</u>	<u>9,692,787</u>
Total assets	<u>162,817</u>	<u>10,944,349</u>	<u>540,609</u>	<u>3,234,247</u>	<u>164,288</u>	<u>261,504</u>	<u>15,307,814</u>
LIABILITIES							
Current liabilities:							
Accounts payable	750	-	5,648	12,892	-	-	19,290
Other accrued liabilities	22,100	-	76,406	5,807	-	-	104,313
Industrial insurance claims	-	-	-	-	-	12,984	12,984
Compensated absences	28,239	-	92,445	2,890	-	-	123,574
Current portion long term debt	-	-	-	230,755	-	-	230,755
Interfund loans payable	39,113	-	-	-	-	-	39,113
Total current liabilities	<u>90,202</u>	<u>-</u>	<u>174,499</u>	<u>252,344</u>	<u>-</u>	<u>12,984</u>	<u>530,029</u>
Long-term liabilities:							
Industrial insurance claims	-	-	-	-	-	50,688	50,688
Compensated absences	1,320	-	-	-	-	-	1,320
Long term debt	-	-	-	463,648	-	-	463,648
Interfund loans payable	80,887	-	-	-	-	-	80,887
Total noncurrent liabilities	<u>82,207</u>	<u>-</u>	<u>-</u>	<u>463,648</u>	<u>-</u>	<u>50,688</u>	<u>596,543</u>
Total liabilities	<u>172,409</u>	<u>-</u>	<u>174,499</u>	<u>715,992</u>	<u>-</u>	<u>63,672</u>	<u>1,126,572</u>
NET ASSETS							
Invested in capital assets, net of related debt	52,616	3,877,301	153,211	2,192,514	-	-	6,275,642
Unrestricted	(62,208)	7,067,048	212,899	325,741	164,288	197,832	7,905,600
Total net assets	<u>(9,592)</u>	<u>10,944,349</u>	<u>366,110</u>	<u>2,518,255</u>	<u>164,288</u>	<u>197,832</u>	<u>14,181,242</u>

City of Walla Walla
 Combining Statement of Revenues, Expenses, and Changes In Fund Net Assets
 Internal Service Funds
 For the Year Ended December 31, 2009

	Business-type activities		Government-type activities			Total Internal Service	
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance		Industrial Insurance
Operating revenues:							
Intergovernmental revenues	897	-	1,221,155	-	-	-	1,222,052
Charges for goods and services	17,659	-	-	-	-	-	17,659
Interfund charges	1,321,998	1,409,090	-	651,990	3,842,195	258,902	7,484,175
Total operating revenues	1,340,554	1,409,090	1,221,155	651,990	3,842,195	258,902	8,723,886
Operating expenses:							
Depreciation	3,560	762,901	10,611	79,328	-	-	856,400
Salaries and wages	279,493	-	885,821	54,200	-	-	1,219,514
Personnel benefits	145,662	-	322,167	19,559	3,817,862	-	4,305,250
Supplies	613,516	-	73,867	47,215	-	-	734,598
Services and charges	115,596	-	291,393	123,686	4,058	144,797	679,530
Interfund service payments	222,265	-	144,263	68,134	-	-	434,662
Total operating expenses	1,380,092	762,901	1,728,122	392,122	3,821,920	144,797	8,229,954
Operating income (loss)	(39,538)	646,189	(506,967)	259,868	20,275	114,105	493,932
Nonoperating revenues (expenses):							
Taxes	-	-	354,668	-	-	-	354,668
Miscellaneous revenues	675	221,175	8,766	2,469	2,294	1,639	237,018
Gain (loss) on disposal of capital assets	-	10,857	(3,250)	-	-	-	7,607
Debt service-interest	(1,575)	-	-	(153,306)	-	-	(154,881)
Total non-operating revenue (expenses)	(900)	232,032	360,184	(150,837)	2,294	1,639	444,412
Income (loss) before contributions and transfers	(40,438)	878,221	(146,783)	109,031	22,569	115,744	938,344
Transfers in	4,485	-	8,790	370,992	-	-	384,267
Transfers out	(120,000)	-	-	-	(150,000)	-	(270,000)
Change in net assets	(155,953)	878,221	(137,993)	480,023	(127,431)	115,744	1,052,611
Total net assets – beginning	146,361	10,066,128	504,103	2,038,232	291,719	82,088	13,128,631
Total net assets – ending	(9,592)	10,944,349	366,110	2,518,255	164,288	197,832	14,181,242

City of Walla Walla
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2009

	Business-type activities		Government-type activities				Total Internal Service
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash from customers	16,555	37,427	-	-	-	-	53,982
Cash from grants	897	-	1,253,714	-	-	-	1,254,611
Cash from interfund services	1,321,998	1,372,280	-	651,990	3,842,195	258,902	7,447,365
Other miscellaneous cash inflows	-	-	5,200	-	-	-	5,200
Payments to suppliers	(800,715)	(3,760)	(359,610)	(156,741)	(4,058)	(192,844)	(1,517,728)
Payments to employees	(430,654)	-	(1,222,926)	(74,338)	(3,817,852)	-	(5,545,780)
Interfund service payments	(222,265)	-	(144,263)	(68,134)	-	-	(434,662)
Net cash provided by operating activities	(114,184)	1,405,947	(467,885)	352,777	20,275	66,058	1,262,988
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Cash from taxes	-	-	354,668	-	-	-	354,668
Transfers in	4,485	-	8,790	370,992	-	-	384,267
Transfers out	(120,000)	-	-	-	(150,000)	-	(270,000)
Total cash flows from financing	(115,515)	-	363,458	370,992	(150,000)	-	468,935
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from interfund loans	120,000	-	-	-	-	-	120,000
Purchase of capital assets	(11,340)	(1,099,330)	(86,763)	(56,097)	-	-	(1,253,530)
Principal and interest payments	(1,575)	-	-	(387,490)	-	-	(389,065)
Proceeds from sale of capital assets	-	10,857	-	-	-	-	10,857
Total cash flows from capital and financing activities	107,085	(1,088,473)	(86,763)	(443,587)	-	-	(1,511,738)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	674	221,178	3,567	2,470	2,295	1,638	231,822
Interfund loan repayments received	-	2,535,226	-	-	-	-	2,535,226
Interfund loans disbursed	-	(3,391,590)	-	-	-	-	(3,391,590)
Total cash flows from investing activities	674	(635,186)	3,567	2,470	2,295	1,638	(624,542)
Net increase (decrease) in cash and cash equivalents	(121,940)	(317,712)	(187,623)	282,652	(127,430)	67,696	(404,357)
Beginning cash and cash equivalents	128,778	3,047,110	573,119	64,678	291,718	193,808	4,299,211
Ending cash and cash equivalents	6,838	2,729,398	385,496	347,330	164,288	261,504	3,894,854
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	(39,538)	646,189	(506,967)	259,868	20,275	114,105	493,932
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	3,560	762,901	10,611	79,328	-	-	856,400
Misc revenues classified as non-operating	-	-	5,200	-	-	-	5,200
(Increase) decrease in accounts receivable	(1,104)	617	32,559	-	-	-	32,072
(Increase) decrease in inventories	(72,238)	-	-	-	-	-	(72,238)
Increase (decrease) in accounts payable	635	(3,760)	5,650	14,160	-	(48,047)	(31,362)
Increase (decrease) in salaries & benefits	(5,499)	-	(14,938)	(579)	-	-	(21,016)
Net cash provided by operating activities	(114,184)	1,405,947	(467,885)	352,777	20,275	66,058	1,262,988

No noncash investing, capital, and financing activities

Trust and Agency Funds

Pension and other employee benefit trust funds

Pension and other employee benefit trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

City of Walla Walla
Combining Statement of Plan Net Assets
Pension and Other Employee Benefit Trust Funds
December 31, 2009

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other employee Benefits
ASSETS			
Cash and equivalents	108,179	188,071	296,250
Total assets	<u>108,179</u>	<u>188,071</u>	<u>296,250</u>
LIABILITIES			
Accounts payable	2,500	-	2,500
Other accrued liabilities	-	22,479	22,479
Total Liabilities	<u>2,500</u>	<u>22,479</u>	<u>24,979</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 105,679</u>	<u>\$ 165,592</u>	<u>\$ 271,271</u>

City of Walla Walla
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended December 31, 2009

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other employee Benefits
ADDITIONS			
Contributions:			
Intergovernmental revenues	-	38,193	38,193
Employer contributions	678,010	296,300	974,310
Total Contributions	678,010	334,493	1,012,503
Investment earnings:			
Interest on investments	786	1,226	2,012
Total investment earnings	786	1,226	2,012
Net Investment Earnings	786	1,226	2,012
Total additions	678,796	335,719	1,014,515
DEDUCTIONS			
Personnel benefits	678,673	282,154	960,827
Total deductions	678,673	282,154	960,827
Change in Net Assets	123	53,565	53,688
Net Assets— beginning of the year	105,556	112,027	217,583
Net Assets – end of the year	\$ 105,679	\$ 165,592	\$ 271,271

City of Walla Walla
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2009

	WALNET			
	Balance			Balance
	January 1	Additions	Deductions	December 31
	2009		2009	
ASSETS				
Cash and equivalents	176,966	150,258	189,604	137,620
Other receivables	100	26,040	26,140	-
Total assets	177,066	176,298	215,744	137,620
LIABILITIES				
Due to other governments	177,066	298,142	337,587	137,620
Total Liabilities	177,066	298,142	337,587	137,620

STATISTICAL SECTION

This part of the City of Walla Walla's comprehensive annual finance report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	104
Revenue Capacity <i>These schedules contains information to help the reader assess the government's most significant local revenue source, the sales tax and the property tax.</i>	110
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	121
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	126
Operating Information <i>This schedule contains service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	128

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year.

City of Walla Walla
Net Assets by Component
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:										
Invested in capital assets, net of related debt	11,151,216	12,282,496	15,918,784	34,617,774 ⁽¹⁾	35,758,599	26,212,314				
Restricted	4,384,694	17,856	941,039	968,698	966,775	1,011,724				
Unrestricted	1,175,174	12,034,923	10,071,471	10,337,924	8,136,186	18,810,787				
Total governmental activities net assets	16,711,084	24,335,275	26,931,294	45,924,396	44,861,560	46,034,825				
Business-type activities:										
Invested in capital assets, net of related debt	34,461,102	33,054,074	36,358,876	39,451,545	55,009,343	59,190,765				
Restricted	3,313,278	3,512,482	-	-	-	-				
Unrestricted	13,939,110	16,019,760	20,098,587	19,793,626	15,959,286	12,631,639				
Total business-type activities net assets	51,713,490	52,586,316	56,457,463	59,245,171	70,968,629	71,822,404				
Primary government:										
Invested in capital assets, net of related debt	45,612,318	45,336,570	52,277,660	74,069,319	90,767,942	85,403,079				
Restricted	7,697,972	3,530,338	941,039	968,698	966,775	1,011,724				
Unrestricted	15,114,284	28,054,683	30,170,058	30,131,550	24,095,472	31,442,426				
Total primary government net assets	68,424,574	76,921,591	83,388,757	105,169,567	115,830,189	117,857,229				

(1) A net prior period adjustment of \$17,028,891 was made to the 2007 beginning balance due to ongoing retrospective valuation of infrastructure assets.

Year 2004 is the earliest available historical data per GASB 34 implementation

City of Walla Walla
Changes in Net Assets
(accrual basis of accounting)

	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
<u>Governmental activities:</u>										
General government	2,206,070	2,659,129	2,587,061	2,330,767	2,086,210	1,703,051				
Public safety	10,643,115	9,638,866	11,993,877	11,930,812	12,957,589	14,041,960				
Utilities and environment	1,395,115	1,688,267	1,654,611	1,747,603	2,194,410	2,410,889				
Transportation	11,255	1,426,150	1,547,611	3,697,036	3,135,176	2,775,527				
Economic environment	840,346	1,260,339	1,145,254	840,494	977,075	1,006,575				
Culture and recreation	352,307	3,016,638	3,312,776	3,430,873	4,036,271	4,056,478				
Interest on long term debt	247,324	409,300	383,325	379,826	374,770	367,901				
Total governmental activities:	15,695,532	20,098,689	22,624,515	24,357,411	25,761,501	26,362,381				
<u>Business-type activities:</u>										
Ambulance	2,611,939	2,581,533	3,168,049	3,539,353	3,325,981	3,285,123				
Golf Course	29,163	44,583	51,680	95,364	99,102	134,812				
Landfill	1,786,140	2,019,772	2,834,223	4,341,065	3,228,911	7,488,687				
Sanitation	3,196,846	3,272,422	3,756,424	3,644,293	4,047,618	3,863,169				
Stormwater	511,849	556,646	597,867	719,012	743,937	690,267				
Water/Wastewater	12,133,410	11,554,548	11,588,092	11,694,883	12,100,919	12,202,005				
Total business-type activities	20,269,347	20,029,504	21,996,335	24,033,970	23,546,468	27,564,063				
Total primary government expenses	35,964,879	40,128,193	44,620,850	48,391,381	49,307,969	54,026,444				
Program Revenues										
<u>Governmental activities:</u>										
<u>Charges for services:</u>										
General government	-	231,730	252,900	251,868	246,721	242,093				
Public safety	70,689	333,696	601,909	1,190,975	644,868	509,470				
Utilities and environment	559,473	1,228,070	1,061,429	1,201,515	1,279,582	1,670,017				
Transportation	210,365	254,573	225,428	224,285	161,328	168,828				
Economic environment	33,233	894,548	730,845	858,902	1,086,063	719,487				
Culture and recreation	393,443	305,156	223,404	256,415	265,052	311,456				
Operating grants and contributions	257,240	711,768	846,731	348,191	326,057	435,075				
Capital grants and contributions	23,559	964,389	1,683,758	2,102,864	932,627	1,788,586				
Total governmental activities program revenue	1,548,002	4,923,930	5,626,404	6,435,015	4,942,298	5,845,012				

City of Walla Walla
Changes in Net Assets (continued)
 (accrual basis of accounting)

	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services:										
Ambulance	1,664,269	1,927,176	1,997,421	2,853,262	3,031,437	3,256,088				
Golf Course	37,516	49,518	85,363	93,227	89,419	82,158				
Landfill	1,825,043	1,986,521	2,345,856	3,143,310	3,313,955	3,195,565				
Sanitation	3,190,804	3,514,517	3,953,997	3,864,671	3,784,891	4,174,490				
Stormwater	560,937	581,882	667,222	714,426	724,404	882,822				
Water/Wastewater	13,116,537	13,838,514	14,109,067	14,823,335	15,075,995	15,191,853				
Operating grants and contributions	6,789	886,956	1,201,595	399,976	198,512	244,739				
Capital grants and contributions	15,133	108,907	555,011	941,384	3,994,360	972,152				
Total business-type activities program revenue	20,417,028	22,893,991	24,915,532	26,833,591	30,212,973	27,999,867				
Total primary government program revenue	21,965,030	27,817,921	30,541,936	33,268,606	35,155,271	33,844,879				
Net (expense)/revenue:										
Governmental activities	(14,147,530)	(15,174,759)	(16,998,111)	(17,922,396)	(20,819,203)	(20,517,569)				
Business-type activities	147,681	2,864,487	2,919,197	2,799,621	6,666,505	335,804				
Total primary government net expense	(13,999,849)	(12,310,272)	(14,078,914)	(15,122,775)	(14,152,698)	(20,181,565)				
General Revenues and Other Changes										
Governmental activities:										
Taxes										
Property taxes	3,883,778	4,034,359	4,335,642	4,458,320	4,575,216	5,780,071				
Sales taxes	4,677,645	5,584,847	6,078,419	6,248,205	6,646,811	6,134,841				
Other taxes	4,834,269	5,447,517	5,976,245	6,360,753	6,196,929	6,331,078				
Intergovernmental	1,929,136	2,708,949	2,095,669	2,102,588	2,133,248	2,019,358				
Miscellaneous general revenue	1,748,429	778,463	635,717	489,058	268,985	77,962				
Gain (loss) on sale of assets	-	(22,962)	163,585	-	-	(45,250)				
Transfers	197,500	(89,401)	308,853	1,301,489	(35,766)	531,109				
Total governmental activities general revenue	17,270,757	18,441,772	19,594,130	20,960,413	19,785,423	20,829,169				
Business-type activities:										
Taxes										
Property taxes	-	-	-	-	-	-				
Intergovernmental	688,628	115,818	-	-	-	-				
Miscellaneous general revenue	762,889	658,189	883,726	1,121,579	744,451	486,027				
Gain (loss) on sale of assets	-	35,535	277,077	(14,350)	13,610	10,857				
Transfers	(197,500)	89,401	(208,853)	(1,301,489)	35,766	(531,109)				
Total business-type activities general revenue	1,254,017	898,943	951,950	(194,260)	793,827	(34,225)				
Total primary government	18,524,774	19,340,715	20,546,080	20,766,153	20,579,250	20,794,944				
Change in Net Assets										
Governmental activities	3,123,227	3,267,013	2,596,019	3,038,017	(1,033,780)	311,800				
Business-type activities	1,401,698	3,763,430	3,871,147	2,605,361	7,460,332	301,579				
Total primary government	4,524,925	7,030,443	6,467,166	5,643,378	6,426,552	613,379				

* Year 2004 is the earliest available historical data per GASB 34 implementation

City of Walla Walla
Fund Balances of Governmental Funds
(modified accrual basis of accounting)

	<u>2004*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General fund:										
Reserved			140,069	128,070	106,358	177,337				
Unreserved	2,353,785	3,338,148	2,920,639	3,724,050	2,771,992	2,315,670				
Total general fund	2,353,785	3,338,148	3,060,708	3,852,120	2,878,350	2,493,007				
All other governmental funds										
Reserved	4,169,487	738,217	1,045,643	795,196	823,273	844,823				
Unreserved, reported in:										
Special revenue funds	2,620,345	1,376,389	1,064,651	1,264,892	1,129,100	1,021,855				
Debt service funds	215,207	278,499	267,806	359,635	495,144	186,096				
Capital project funds	1,370,428	3,299,945	2,059,233	1,619,036	946,118	11,119,318				
Permanent funds	67,271	56,086	35,643	45,432	37,144	18,564				
Total other governmental funds	8,442,738	5,749,136	4,472,976	4,084,191	3,430,779	13,190,656				

* Year 2004 is the earliest available historical data per GASB 34 implementation

City of Walla Walla
Changes in Fund Balances of Governmental Funds
(modified accrual basis of accounting)

	<u>2004*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues									
Taxes	13,039,718	15,017,271	15,650,755	16,787,490	16,841,399	16,611,739			
Licenses and permits	702,707	1,061,407	765,669	807,576	964,093	700,973			
Intergovernmental	1,759,213	2,509,983	3,778,599	3,033,975	2,298,529	3,619,535			
Charges for goods and services	3,824,678	4,344,530	4,676,832	5,203,535	5,679,186	6,581,763			
Fines and forfeits	257,379	244,642	317,153	784,510	359,050	301,911			
Miscellaneous revenues	-	1,893,912	751,802	1,036,052	757,583	388,841			
Other income (expenses)	819,752	12,670	-	-					
Total revenues	20,403,447	25,084,415	25,940,810	27,653,138	26,899,840	28,204,762			
Expenditures									
Current:									
General government	4,311,470	5,502,567	5,211,056	5,233,073	5,448,438	5,666,282			
Public safety	8,875,037	8,940,838	10,938,288	10,929,395	11,623,729	12,307,401			
Utilities and environment	1,401,286	1,650,164	1,696,620	1,792,849	2,155,795	2,466,834			
Transportation	1,080,213	1,365,803	1,413,103	2,227,380	1,691,921	1,373,395			
Economic environment	834,529	1,238,411	1,166,016	842,221	972,451	1,014,531			
Culture and recreation	2,603,621	2,863,217	3,202,117	3,269,666	3,819,310	3,898,419			
Debt service:									
Principal retirement	585,000	606,337	541,351	316,352	321,352	337,973			
Interest	266,116	398,136	240,763	238,522	223,310	213,335			
Administrative charges	-	11,164	1,266	1,266	1,269	1,260			
Capital outlay:									
General government	147,482	234,381	209,408	98,611	110,733	107,941			
Public safety	179,250	2,768,497	771,197	29,009	167,758	1,118,552			
Utilities and environment	556,338	-	10,196	-	-	13,461			
Transportation	18,942	399,791	1,948,567	3,314,025	1,955,435	1,971,844			
Culture and recreation	758	1,083,078	446,193	187,878	112,435	224,719			
Total expenditures	20,160,042	27,062,314	27,796,141	28,481,247	28,603,936	30,715,917			
Excess revenues over expenditures	(456,595)	(1,977,919)	(1,855,331)	(827,109)	(1,704,096)	(2,511,155)			

City of Walla Walla
Changes in Fund Balances of Governmental Funds (continued)
(modified accrual basis of accounting)

	<u>2004*</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Other financing sources (uses)									
Transfers in	3,717,595	3,759,895	2,233,973	2,790,017	3,028,761	1,384,455			
Transfers out	(3,520,095)	(3,741,674)	(2,106,082)	(1,560,280)	(3,217,646)	(1,083,128)			
Insurance recoveries					77,094	13,720			
Bonds Issued	-	-	-	-	-	11,595,000			
Premium on Bonds Issued	-	-	-	-	-	126,787			
Proceeds from debt	4,500,000	400,000	-	-	-	-			
Proceeds from disposal of capital assets	-	-	173,839	-	-	8,000			
Total other financing sources (uses)	4,697,500	418,221	301,730	1,229,737	(111,791)	12,044,834			
Net change in fund balances	4,240,905	(1,559,748)	(1,553,601)	402,628	(1,815,887)	9,533,649			
Debt service as a percentage of noncapital expenditures	4.45%	4.66%	3.31%	2.28%	2.12%	2.06%			

* Year 2004 is the earliest available historical data per GASB 34 implementation

City of Walla Walla
Governmental Activities Tax Revenue by Source
 (accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Property tax	3,527,804	4,034,359	4,335,642	4,458,320	4,575,216	5,780,071				
Sales tax	4,677,645	5,584,847	6,078,419	6,248,205	6,646,811	6,134,841				
Payment in lieu of tax	1,840,059	2,082,949	2,104,897	2,214,284	2,278,219	2,152,560				
Business and occupation tax	2,450,289	2,604,885	2,801,949	3,176,692	3,050,559	3,464,751				
Gambling tax	276,432	289,053	233,612	227,767	163,759	135,422				
Real estate excise tax	229,932	410,820	466,905	322,658	290,268	192,846				
Leasehold tax	37,557	59,810	55,705	68,770	64,193	30,831				
E911 Access Tax	-	-	313,176	350,581	349,931	354,668				
Total taxes	13,039,718	15,066,723	16,390,305	17,067,277	17,418,956	18,245,990				

Year 2004 is the earliest available historical data per GASB 34 implementation

**City of Walla Walla
Property Tax Rates
Direct and Overlapping Governments ¹
Last Seven Years* (and next year)**

Fiscal Year	City of Walla Walla			Walla Walla County			Walla Walla School District			Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total District Millage	
2003	2.952	0	2.952	1.757	0.111	1.868	3.739	1.590	5.329	10.149
2004	2.906	0	2.906	1.758	0.101	1.859	3.708	1.846	5.554	10.319
2005	2.883	0.273	3.156	1.758	0.101	1.859	3.708	1.846	5.554	10.569
2006	2.889	0.283	3.172	1.788	0.099	1.887	3.847	1.577	5.424	10.483
2007	2.613	0.235	2.848	1.701	0.091	1.792	3.528	1.551	5.079	9.719
2008	2.287	0.200	2.487	1.567	0.071	1.638	3.086	1.190	4.277	8.402
2009	2.236	0	2.236	1.45	0.07	1.52	2.94	1.066	4.006	7.762
2010	2.395	0.590	2.985	1.517	0.076	1.593	3.290	1.267	4.557	9.135
2011										
2012										

Source: Provided by the County Assessment Guide

Note: ¹ Overlapping rates are those of local and county governments that apply to property owners within the City of Walla Walla. Not all overlapping rates apply to all City of Walla Walla property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.)

* Data not collected prior to the preparation for GASB 34 implementation in 2003

City of Walla Walla
Assessed Value of Taxable Property
Last Ten Fiscal Years ⁽¹⁾

Fiscal Year	Real Property Value	Personal Property Value	State Assessed Value	Less: Open Space Loss	Less: Senior Loss	Less: Head of Household Loss	Less: Minimum Value Loss	Total Taxable Assessed Value	Total Direct Tax Rate
2001	1,086,838,265 ⁽²⁾			34,267,440 ⁽²⁾				1,052,570,825	3.1019
2002	1,115,752,061 ⁽²⁾			31,651,055 ⁽²⁾				1,084,101,006	3.0689
2003	1,067,131,600	66,457,684	48,503,810	17,400	24,642,216	included in senior loss		1,157,433,478	2.9519
2004	1,127,390,100	66,605,376	46,210,170	261,200	34,426,468	included in senior loss		1,205,517,978	2.9063
2005	1,187,515,500	69,665,752	40,468,384	262,100	47,933,713	included in senior loss		1,249,453,823	3.1555
2006	1,205,368,700	69,660,084	38,929,740	237,300	46,449,200	572,323	11,800	1,266,687,901	3.1718
2007	1,475,258,200	66,968,757	34,853,739	482,500	55,718,300	606,849	6,900	1,520,266,147	2.8487
2008	1,755,744,100	70,919,566	42,356,780	1,714,600	71,077,500	1,651,914	9,106	1,794,567,326	2.4866
2009	2,007,951,200	73,227,804	44,635,592	2,184,300	76,759,100	1,489,045	8,824	2,045,373,327	2.2369
2010	1,892,238,900	77,077,453	41,667,687	2,179,700	66,148,200	1,183,746	7,121	1,941,465,273	2.3950

Source: County Assessor's Office as of December used to create the operating levy
The County assesses property at 100% of actual value.

⁽¹⁾ Information is unavailable prior to 2001

⁽²⁾ Breakdown of property value and exemptions is unavailable for 2001 and 2002

City of Walla Walla
Walla Walla County Top Ten Principal Property Taxpayers
Current Year and Three Years Prior

	2009			2006		
	<u>Total Taxes</u>	<u>Rank</u>	<u>Percentage of Assessed Taxes</u>	<u>Total Taxes</u>	<u>Rank</u>	<u>Percentage of Assessed Taxes</u>
<u>County Taxpayers</u>						
Boise Cascade	2,526,814	1	4.57%	2,522,689	1	5.00%
FPL Energy	990,712	2	1.79%	956,329	3	1.90%
Gas Transmission Northwest	859,052	3	1.55%	260,209	6	0.52%
Ralph & Cheryl Broetje (Broetje Orchards)	832,025	4	1.50%	418,600	4	0.83%
Pacific Corp	544,997	5	0.99%	206,466	9	0.41%
J.R. Simplot & Affiliates	469,257	6	0.85%	179,589	10	0.36%
I.B.P. Inc (Tyson Fresh Meats)	458,038	7	0.83%	370,468	5	0.73%
Union Pacific Railroad	370,904	8	0.67%			0.36%
Railex	277,063	9	0.50%			
Wal-Mart Real Estate	170,129	10	0.31%			
Northwest Grain Growers				1,373,363	2	2.72%
Boise Packaging and Newsprint				223,477	7	0.44%
Snake River Vineyards				214,761	8	0.43%

Source: 2006 Provided by the Port of Walla Walla - Walla Walla County Quick Facts
2009 Provided by the County Assessor

**City of Walla Walla
Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
2000	N/A					
2001	3,262,541	3,089,401	94.7%	173,140	3,262,541	100.0%
2002	3,323,430	3,220,908	96.9%	69,773	3,290,681	99.0%
2003	3,416,705	3,227,426	94.5%	155,519	3,382,945	99.0%
2004	3,503,597	3,393,955	96.9%	99,925	3,493,880	99.7%
2005	3,942,652	3,802,161	96.4%	126,460	3,928,621	99.6%
2006	4,017,681	3,917,891	97.5%	85,930	4,003,821	99.7%
2007	4,330,782	4,213,839	97.3%	91,140	4,304,979	99.4%
2008	4,462,371	4,303,042	96.4%	85,429	4,388,471	98.3%
2009	4,575,296	4,397,339	96.1%		4,397,339	96.1%

Source: December's County Treasurer's monthly report of tax collections.

N/A: Information is unavailable from the County Treasurer or City records for periods prior to 2001

City of Walla Walla
Local Sales and Use Taxable Retail Sales by Industry
Last Ten Fiscal Years ⁽¹⁾

NAICS		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
11 Agriculture, Forestry, Fishing and Hunting		211,251	276,610	359,840	499,205	521,464	790,750	815,183	964,952	281,795	367,460
21 Mining									47,059	-	
22 Utilities		1,178,656	1,073,126	968,445	1,351,776	1,262,786	1,022,869	920,302	1,249,641	1,349,139	1,799,040
23 Construction		54,045,481	62,190,160	76,631,982	59,216,428	58,739,677	70,681,604	109,108,842	141,035,263	113,765,933	133,790,392
31-33 Manufacturing		8,753,486	9,642,130	9,815,876	9,369,367	10,693,914	13,005,316	12,809,101	11,253,131	11,858,392	14,620,878
42 Wholesale Trade		35,405,738	37,668,709	40,943,912	36,875,558	40,253,261	42,150,250	40,038,660	46,557,529	53,090,838	50,976,282
44-45 Retail Trade		178,222,184	181,134,221	181,777,458	183,583,317	182,424,166	187,458,113	200,833,041	196,463,736	207,160,060	201,935,494
48-49 Transportation and Warehousing		159,165	177,516	336,468	346,571	305,926	342,503	1,562,928	924,421	698,613	710,682
51 Information		19,565,108	24,982,484	24,547,948	23,480,482	19,955,687	19,958,659	20,481,250	23,078,867	22,905,585	23,523,134
52 Finance and Insurance		2,797,336	2,819,982	3,636,759	3,789,903	4,416,345	3,933,545	3,031,382	2,690,656	2,900,953	4,288,099
53 Real Estate and Rental and Leasing		6,935,605	7,286,368	6,948,676	7,499,504	7,717,889	8,084,248	6,538,371	6,404,047	7,207,386	7,389,271
54 Professional, Scientific, and Technical Services		3,418,317	4,571,281	4,664,160	4,991,531	5,129,176	6,433,626	6,583,438	8,934,577	7,658,558	6,721,636
55-62 Management, Education & Health Services		9,300,760	10,302,781	11,063,568	10,374,891	10,975,247	13,444,152	12,679,655	13,335,184	14,293,790	16,763,226
71 Arts, Entertainment, and Recreation		3,351,631	3,332,688	3,461,504	4,031,332	4,083,578	3,906,969	3,850,786	4,146,555	4,236,841	3,892,803
72 Accommodation and Food Services		34,831,070	38,956,193	45,110,150	44,294,049	45,032,909	48,721,699	53,612,711	57,468,149	64,136,938	68,934,057
81 Other Services (except Public Administration)		14,459,608	14,770,369	15,656,081	15,187,215	15,651,750	15,204,478	15,738,508	16,069,061	16,627,595	17,674,837
92 Public Administration		572,856	451,627	1,341,170	1,314,063	1,120,923	1,222,981	1,896,665	3,027,864	3,944,582	5,035,384
No Description given		-	247,273	102,190	-	17,219	-	-	-	-	-
Total Local Sales and Use Taxable Retail Sales		373,208,252	399,883,518	427,366,187	406,205,192	408,301,917	436,361,762	490,500,803	533,650,692	532,116,998	558,422,675
City of Walla Walla Sales & Use Tax Rates											
Local Basic	0.425%	1,586,135	1,699,505	1,816,306	1,726,372	1,735,283	1,854,537	2,084,628	2,268,015	2,261,497	2,373,296
Local Optional	0.425%	1,586,135	1,699,505	1,816,306	1,726,372	1,735,283	1,854,537	2,084,628	2,268,015	2,261,497	2,373,296
Criminal Justice	0.100%	373,208	399,884	427,366	406,205	408,302	456,362	490,501	533,651	532,117	558,423
Public Safety	0.090%					367,472	392,726	441,451	480,286	478,905	502,580
Total City of Walla Walla Sales & Use Tax ⁽²⁾	1.040%	3,545,478	3,798,894	4,059,978	3,858,949	4,246,340	4,538,162	5,101,208	5,549,967	5,534,016	5,807,595
State Sales & Use Tax Rate	6.500%										
Valley Transit	0.300%										
Walla Walla County Sales & Use Tax Rates											
Local Basic	0.075%										
Local Optional	0.075%										
Public Safety	0.210%										
Juvenile Justice/Detention	0.100%										
Total Walla Walla County Sales & Use Tax Rate	0.460%										
Total Local Sales & Use Tax Rate	8.300%										

Source: WA State Department of Revenue

⁽¹⁾ 2008 is the latest data available.

⁽²⁾ Calculated sales and use taxes above will not equal reported total sales tax revenue as taxes on Brokered Natural Gas and Hotel/Motel taxes are not included. There is also a timing difference between reported taxable sales above and the period the taxes are collected and reported.

City of Walla Walla
Combined Water Utility and Wastewater Utility Operating Statement
(Years Ending December 31)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Revenues ⁽¹⁾</u>										
Charges for Water Services	\$ 6,350,203	\$ 5,937,979	\$ 6,287,045	\$ 6,397,179	\$ 6,924,566	\$ 7,178,728	\$ 7,522,723	\$ 7,928,557	\$ 8,119,978	\$ 8,039,618
Charges for Wastewater Services	5,030,771	5,255,007	5,478,025	5,734,621	6,191,971	6,659,786	6,570,756	6,833,431	6,868,450	7,105,207
Miscellaneous	303	120,138	110,096	-	38,132	54,075	126,987	232,037	630,000	13,215
Interest Income	1,060,876	705,744	401,948	335,205	381,508	486,544	671,947	652,295	510,695	273,287
Contributions	31,659	69,069	24,537	33,792	78,587	108,907	510,385	929,640	2,895,478	473,772
Total Revenues	\$ 12,473,812	\$ 12,087,937	\$ 12,301,651	\$ 12,500,797	\$ 13,614,764	\$ 14,488,040	\$ 15,402,798	\$ 16,575,960	\$ 19,024,601	\$ 15,905,099
<u>Expenses ⁽²⁾</u>										
Personal Services	\$ 1,296,895	\$ 1,089,178	\$ 1,181,272	\$ 1,302,383	\$ 1,312,952	\$ 1,220,538	\$ 1,241,980	\$ 1,327,563	\$ 1,338,152	\$ 1,257,225
Supplies	376,281	336,032	351,161	304,682	398,508	423,014	449,933	559,957	489,341	332,995
Services/Charges	1,829,710	2,270,000	2,332,693	2,929,221	2,308,727	2,990,325	2,332,356	2,236,590	2,364,047	2,457,678
Governmental Charges	1,191,845	1,175,859	1,238,317	3,232,783	3,388,411	3,943,670	3,982,404	4,003,268	4,338,035	4,785,148
→Bad Debt Expense	298	7,423	908	46	8,584	2,676	573	439	298	1,238
Total Expenses	\$ 4,695,029	\$ 4,878,492	\$ 5,104,351	\$ 7,769,115	\$ 7,417,182	\$ 8,580,223	\$ 8,007,246	\$ 8,127,817	\$ 8,529,873	\$ 8,834,284
Net Revenue of System	\$ 7,778,783	\$ 7,209,445	\$ 7,197,300	\$ 4,731,682	\$ 6,197,582	\$ 5,907,817	\$ 7,395,552	\$ 8,448,143	\$ 10,494,728	\$ 7,070,815

⁽¹⁾ Excludes transfers in

⁽²⁾ Excludes depreciation, debt service and non-operating expenditures

City of Walla Walla
Water/Wastewater Various Rates and Capital Facility Charges
Last five years*

Water Utility Monthly Meter Charges

Meter Size (inches)	2005	2006	2007	2008	2009
3/4	\$16.36	\$17.54	\$18.07	\$18.61	\$19.08
1	32.57	34.91	35.96	37.04	37.97
1 1/2	65.24	69.92	72.02	74.18	76.03
2	104.46	111.96	115.32	118.78	121.75
3	195.53	209.56	215.85	222.33	227.89
4	326.12	349.53	360.01	370.81	380.08
6	655.70	702.80	723.88	745.60	764.24
8	978.38	1,048.60	1,080.06	1,112.46	1,140.27
10	1,304.40	1,398.02	1,439.96	1,483.16	1,520.24

Water Utility Consumption Charges per 100 Cubic Feet

Customer Class	2005	2006	2007	2008	2009
Residential	\$0.92	\$0.99	\$1.02	\$1.05	\$1.08
Commercial	0.68	0.73	0.75	0.77	0.79
Industrial	0.72	0.77	0.79	0.81	0.83
Public	0.68	0.73	0.75	0.77	0.79

Water Utility Connection Charges for Permanent Meters

	2005	2006	2007	2008	2009
Meter Installation Fee-3/4"	\$ 315.00	\$ 372.75	\$ 383.93	\$ 385.00	\$ 396.00
Meter Installation Fee-1" or larger	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
Service connection charge-1" service line	400.00	\$400.00 plus actual excess costs	\$412.00 plus actual excess costs	\$425.00 plus actual excess costs	\$438.00 plus applicable fees
Service connection charge-larger than 1" service line	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost

* Fee structure changed as of 2005 and information prior to that date is therefore not included here.

**City of Walla Walla
Water/Wastewater Various Rates and Capital Facility Charges (continued)**

Water Capital Facilities Charges

<u>Meter Size (inches)</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
5/8 & 3/4	N/A	\$1,785.00	\$1,785.00	\$1,785.00	\$1,785.00
1	N/A	2,981.00	2,981.00	2,981.00	2,981.00
1 1/2	N/A	5,944.00	5,944.00	5,944.00	5,944.00
2	N/A	9,514.00	9,514.00	9,514.00	9,514.00
3	N/A	19,046.00	19,046.00	19,046.00	19,046.00
4	N/A	29,810.00	29,810.00	29,810.00	29,810.00
Charge per fixture unit values	N/A	78.64	78.64	78.64	78.64

⁽¹⁾Water Capital Facility Charges replaced connection fees in 2006

Water Capital Facilities Functional Unit Cost Credit Factor

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
customer	N/A	40.82	40.82	40.82	40.82
fire storage	N/A	122.18	122.18	122.18	122.18
equalizing storage	N/A	91.23	91.23	91.23	91.23
emergency storage	N/A	91.23	91.23	91.23	91.23
supply	N/A	493.53	493.53	493.53	493.53
transmission & distribution	N/A	754.73	754.73	754.73	754.73
treatment	N/A	192.06	192.06	192.06	192.06
total	N/A	1,785.00	1,785.00	1,785.00	1,785.00

Water and Wastewater Fixture Unit Values by Fixture Type

<u>Type of Fixture</u>	<u>Fixture Unit Value</u>
Bar sink	1.0
Bathtub	4.0
Bath/Shower combo	4.0
Bidet	1.0
Clothes washer, domestic	4.0
Dishwasher, domestic	1.5
Kitchen sink, domestic	1.5
Laundry sink	1.5
Lavatory	1.0
Shower	2.0
Water Closet, 1.6 GPF Gravity Tank	2.5
Water Closet, 1.6 GPF Flushometer valve	To be determined by Public Works
Fixtures not listed above	To be determined by Public Works

City of Walla Walla

Water/Wastewater Various Rates and Capital Facility Charges (continued)

**Wastewater Utility Rates
(For First 800 Cubic Feet or Less)**

<u>Customers connected to the Wastewater Utility</u> ⁽¹⁾	Total Monthly Charge				
	2005	2006	2007	2008	2009
Residential	\$32.40	\$32.90	\$34.60	\$35.29	\$36.42
Multi-Family Residences (per unit)	19.60	19.60	20.73	21.14	21.82
Commercial	31.81	32.30	33.97	34.65	35.75
Public	38.30	39.31	40.90	41.72	43.05
Industrial	40.26	41.33	43.41	44.28	45.70
City of Walla Walla	9.49	10.12	10.12	10.32	10.65

**Metered Water Utility customers to whom
wastewater service is available (but not connected)**

Residential	\$23.41	\$23.62	\$25.02	\$25.52	\$26.34
Multi-Family Residences (per unit)	14.36	14.36	15.20	15.50	16.00
Commercial	23.07	23.29	23.99	24.47	25.25
Public	27.41	27.88	29.29	29.88	30.84
Industrial	28.77	29.27	31.04	31.66	32.67
City of Walla Walla	9.49	10.12	10.12	10.32	10.65

⁽¹⁾A consumption fee is charged to commercial and industrial customers for each 100 cu ft of water used over the 800 cu ft minimum

Wastewater Capital Facilities Charges ⁽²⁾

	2005	2006	2007	2008	2009
per total number of fixture unit values	N/A	\$109.00	\$109.00	\$109.00	\$109.00
strength component charge-BOD	N/A	16.87	16.87	16.87	16.87
strength component charge-total suspended solids	N/A	16.87	16.87	16.87	16.87
strength component charge-pH	N/A	6.75	6.75	6.75	6.75
Side sewer charge	750.00	750.00	772.50	750.00	774.00

⁽²⁾Wastewater Capital Facility Charges replaced connection fees in 2006

**City of Walla Walla
Water and Wastewater Utility Customers by Category
As of December 31**

	2005		2006		2007		2008		2009	
	No.	%	No.	%	No.	%	No.	%	No.	%
Water										
Residential	8,346	87.1%	8,270		8,405		8,528		8,512	
Duplex			366		368		368		375	
3-4 Plex			129		127		127		130	
Satelite			28		28		30		30	
Residential Multifamily	8,346	87.1%	8,793	88.8%	8,928	89.0%	9,053	88.0%	9,047	89.0%
Commercial	158	1.6%	149	1.5%	148	1.5%	157	1.5%	149	1.5%
Industrial	989	10.3%	865	8.7%	863	8.6%	985	9.6%	865	8.5%
Public	14	0.1%	12	0.1%	13	0.1%	12	0.1%	11	0.1%
COWW	78		54		54		51		60	
Public			30		29		29		33	
Public	78	0.8%	84	0.8%	83	0.8%	80	0.8%	93	0.9%
Total	9,585	99.9%	9,903	99.9%	10,035	100.0%	10,287	100.0%	10,165	100.0%

	2005		2006		2007		2008		2009	
	No.	%	No.	%	No.	%	No.	%	No.	%
Wastewater										
Residential	8,312	87.3%	7,312		7,409		7,574		7,853	
Duplex			347		350		353		365	
3-4 Plex			124		123		123		126	
Residential Multifamily	8,312	87.3%	7,783	89.5%	7,882	89.5%	8,050	89.3%	8,344	89.3%
Commercial	158	1.7%	143	1.6%	145	1.6%	147	1.6%	149	1.6%
Industrial	960	10.1%	700	8.0%	712	8.1%	734	8.2%	767	8.2%
Public	14	0.1%	4	0.0%	4	0.0%	5	0.1%	6	0.1%
Public	74		41		43		43		54	
COWW			29		21		27		20	
Public	74	0.8%	70	0.8%	64	0.7%	70	0.8%	74	0.5%
Total	9,518	100.0%	8,700	99.9%	8,807	99.9%	9,006	100.0%	9,340	99.7%

	2000		2001		2002		2003		2004		2005		2006		2007		2008		2009	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Water/Wastewater																				
Residential	8,318	84.9%	8,355	84.5%	8,337	85.1%	8,297	87.0%	8,455	86.1%	8,346	87.1%	8,793	88.8%	8,928	89.0%	9,053	88.0%	9,047	89.0%
Multifamily											158		149		148		157		149	
Commercial											989		865		863		985		865	
Total Comm'l/Multifamily	1,297	13.2%	1,338	13.5%	1,299	13.3%	1,099	11.5%	1,218	12.4%	1,147	12.0%	1,014	10.2%	1,011	10.1%	1,142	11.1%	1,014	10.0%
Industrial	17	0.2%	19	0.2%	16	0.2%	14	0.1%	15	0.2%	14	0.1%	12	0.1%	13	0.1%	12	0.1%	11	0.1%
Public	168	1.7%	170	1.7%	146	1.5%	132	1.4%	136	1.4%	78	0.8%	84	0.8%	83	0.8%	80	0.8%	93	0.9%
Total	9,800	100.0%	9,882	99.9%	9,798	100.1%	9,542	100.0%	9,824	100.1%	9,585	100.0%	9,903	99.9%	10,035	100.0%	10,287	100.0%	10,165	100.0%

City of Walla Walla
Ratios of Outstanding Debt by Type
Last Seven Fiscal Years*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General governmental activities:							
General obligation bonds	3,651,550	7,671,550	7,635,213	6,967,303	6,433,853	5,874,532	16,897,376
Special assessment bonds	420,000	305,000	135,000	-	-	-	-
Business-type activities							
General obligation bonds	-	-	-	-	-	-	-
Water bonds	25,870,000	24,415,000	23,440,000	21,920,000	20,280,000	18,555,000	16,750,000
Wastewater bonds	5,300,000	4,740,000	4,165,000	3,540,000	2,885,000	2,255,000	1,900,000
Water/Wastewater bonds	31,170,000	29,155,000	27,605,000	25,460,000	23,165,000	20,810,000	18,650,000
Water loans	867,368	758,947	704,737	650,526	596,315	542,104	487,894
Wastewater loans	23,598,161	22,221,012	21,023,087	20,551,798	24,145,349	24,518,019	23,143,331
Water/Wastewater loans	24,465,529	22,979,959	21,727,824	21,202,324	24,741,664	25,060,123	23,631,225
Landfill bonds	-	-	2,973,000	2,903,238	2,728,476	2,548,714	2,362,558
Golf Course bonds	-	-	367,000	353,114	339,228	325,341	309,470
Total primary government	59,707,079	60,111,509	60,443,037	56,885,979	57,408,221	54,618,710	61,850,629
Percentage of personal income ⁽¹⁾	4.36%	4.23%	4.23%	3.76%	3.44%	3.27%	3.71%
Per capita	\$ 2,010	\$ 1,971	\$ 1,973	\$ 1,855	\$ 1,858	\$ 1,742	\$ 1,957

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See the schedule of Demographics and Economic Statistics on page 116 for personal income and population data.
Used 2007 personal income data for 2008 and 2009 as latest available data.

* Data not collected prior to the preparation for GASB 34 implementation in 2003

City of Walla Walla
Ratios of General Bonded Debt Outstanding
Last Seven Fiscal Years*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General obligation bonds	3,651,550	7,671,550	10,975,213	10,223,655	9,501,557	8,748,587	19,569,404
Less: Amounts available in debt service fund	318,374	305,448	-	13,395	30,067	378,254	52,032
Net total	<u>3,333,176</u>	<u>7,366,102</u>	<u>10,975,213</u>	<u>10,210,260</u>	<u>9,471,490</u>	<u>8,370,333</u>	<u>19,517,372</u>
Percentage of estimated actual taxable value of property	<u>0.29%</u>	<u>0.61%</u>	<u>0.88%</u>	<u>0.81%</u>	<u>0.62%</u>	<u>0.47%</u>	<u>0.95%</u>
Per capita	<u>\$ 112</u>	<u>\$ 242</u>	<u>\$ 358</u>	<u>\$ 333</u>	<u>\$ 307</u>	<u>\$ 267</u>	<u>\$ 617</u>

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 See the schedule of Demographics and Economic Statistics on page 116 for personal income and population data.

* Data not collected prior to the preparation for GASB 34 implementation in 2003

City of Walla Walla
Direct and Overlapping Governmental Activities Debt
As of December 31, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
City of Walla Walla direct debt			16,897,376
County	350,000	41.3%	144,550
Port District	5,345,000	41.3%	2,207,485
School district	<u>27,850,000</u>	72.4%	<u>20,163,400</u>
Subtotal overlapping debt	<u>33,545,000</u>		<u>22,515,435</u>
Total direct and overlapping debt			<u>\$39,412,811</u>

Sources: Debt outstanding data provided by the Port of Walla Walla, Walla Walla County, and Walla Walla School District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Walla Walla. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

**City of Walla Walla
Legal Debt Margin Information
Last Seven Fiscal Years***

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	86,807,506	92,690,109	94,856,688	114,244,962	134,592,549	153,402,999	145,609,896
Total net debt applicable to limit	<u>3,925,951</u>	<u>348,117</u>	<u>283,117</u>	<u>118,952</u>	<u>3,158,745</u>	<u>5,372,488</u>	<u>15,755,381</u>
Legal debt margin	<u>82,881,555</u>	<u>92,341,992</u>	<u>94,573,571</u>	<u>114,126,010</u>	<u>131,433,804</u>	<u>148,030,511</u>	<u>129,854,515</u>
Total net debt applicable to the limit as a percentage of debt margin	4.7%	0.4%	0.3%	3.7%	2.4%	3.6%	12.1%

Legal debt margin calculation for fiscal year 2009

Total assessed value January 2010	<u>1,941,465,273</u>
2.5% general purposes limit is allocated between:	48,536,632
<i>Up to 1.5% debt without a vote (councilmanic)</i>	29,121,979
Less: outstanding debt	(5,445,316)
Less: contracts payable	-
Less: excess of debt with a vote	-
Add: available assets	<u>4,949,935</u>
Equals: remaining debt capacity without a vote	<u>28,626,597</u>
<i>1% general purpose debt with a vote</i>	19,414,653
Less: outstanding debt	(15,260,000)
Less: contracts payable	-
Add: available assets	<u>-</u>
Equals remaining debt capacity with a vote	<u>4,154,653</u>
2.5% utility purpose limit, voted	48,536,632
Less: outstanding debt	-
Less: contracts payable	-
Add: available assets	<u>-</u>
Equals remaining debt capacity- utility purpose, voted	<u>48,536,632</u>
2.5% utility purpose limit, open space park and capital facilities, voted	48,536,632
Less: outstanding debt	-
Less: contracts payable	-
Add: available assets	<u>-</u>
Equals remaining debt capacity- park & facilities, voted	<u>48,536,632</u>
Total Legal Debt Margin	<u>129,854,514</u>

Note: Under statutory provisions for the State, cities may incur general obligation debt for "general purposes" in an amount not to exceed 2 1/2 percent of the assessed valuation of all taxable property in the city; 2 1/2 percent of assessed valuation for "open space and park facilities" uses; and 2 1/2 percent of assessed valuation for "utility" purposes. Within the "general purpose" limit, cities may incur general obligation indebtedness in an amount up to 1 1/2 percent of the assessed value without a vote of the people. Non-voted general obligation debt is payable from the city's regular tax levy, which may be levied for general purposes, and from other revenue sources that the city receives for general purposes. To incur general obligation indebtedness in excess of 1 1/2 percent of the assessed valuation of the city, the city must receive approval from the voters ("unlimited tax debt"). No combination of limited or unlimited tax debt may exceed 7 1/2 percent of the actual value of taxable property in the city.

* Data not collected prior to the preparation for GASB 34 implementation in 2003

**City of Walla Walla
Pledged Revenue Coverage
Last Seven Fiscal Years***

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<u>Water Bonds</u>							
Charges for services and other	6,397,179	7,196,180	7,617,865	8,311,958	8,905,188	9,430,139	8,389,570
Less: Operating expenses	3,807,283	3,223,531	3,944,866	3,600,320	3,470,349	3,787,470	3,815,868
Net available revenue	2,589,896	3,972,649	3,672,999	4,711,638	5,434,839	5,642,669	4,573,702
Debt service:							
Principal	177,400	1,509,211	1,549,211	1,574,211	1,694,211	1,779,211	1,859,211
Interest	1,098,037	1,135,992	1,065,653	914,881	873,630	818,980	747,919
Payment	1,275,437	2,645,203	2,614,864	2,489,092	2,567,841	2,598,191	2,607,130
Coverage	2.03	1.50	1.40	1.89	2.12	2.17	1.754305309
<u>Wastewater Bonds</u>							
Charges for services and other	5,734,621	6,375,725	6,870,175	6,858,356	7,670,772	7,483,845	7,502,314
Less: Operating expenses	3,403,485	2,915,893	3,158,905	3,057,561	3,254,778	3,245,210	3,683,383
Net available revenue	2,331,136	3,459,832	3,711,270	3,800,795	4,415,994	4,238,635	3,818,931
Debt service:							
Principal	197,600	1,678,168	1,802,926	1,846,289	1,900,620	1,946,124	2,038,762
Interest	202,941	784,478	733,690	679,261	642,119	624,081	598,800
Payment	400,541	2,462,646	2,536,616	2,525,550	2,542,739	2,570,205	2,637,562
Coverage	5.82	1.40	1.46	1.50	1.74	1.65	1.45
<u>Water/Wastewater Bonds</u>							
Charges for services and other	12,131,800	13,571,905	14,488,040	15,170,314	16,575,960	16,913,984	15,891,884
Less: Operating expenses	7,210,768	6,139,424	7,103,771	6,657,881	6,725,127	7,032,680	7,499,251
Net available revenue	4,921,032	7,432,481	7,384,269	8,512,433	9,850,833	9,881,304	8,392,633
Debt service:							
Principal	375,000	3,187,379	3,352,137	3,420,500	3,594,831	3,725,335	3,897,973
Interest	1,300,978	1,920,470	1,799,343	1,594,142	1,515,749	1,443,061	1,346,719
Payment	1,675,978	5,107,849	5,151,480	5,014,642	5,110,580	5,168,396	5,244,692
Coverage	2.94	1.46	1.43	1.70	1.93	1.91	1.60
<u>Special Assessment Bonds</u>							
Special assessment collections	228,603	130,100	163,625	217,947	82,782	55,098	17,149
Debt service:							
Principal	185,000	105,000	170,000	135,000	-	-	-
Interest	37,591	26,475	19,775	8,345	-	-	-
Payment	222,591	131,475	189,775	143,345	-	-	-
Coverage	1.03	0.99	0.86	1.52	-	-	-

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges for service and other includes investment earnings. Operating expenses do not include interest, depreciation, or payments in lieu of taxes to the general fund. Bond covenants require a 1.25 coverage ratio.

* Data not collected prior to the preparation for GASB 34 implementation in 2003

City of Walla Walla
Demographic and Economic Statistics
Last Ten Years

Source	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2 Population - City	29,686	29,500	29,550	29,710	30,500	30,630	30,660	30,900	31,350	31,610
2 Population - County	55,180	55,200	55,400	55,800	56,700	57,500	57,900	57,900	58,600	59,200
City as percent of County	54%	53%	53%	53%	54%	53%	53%	53%	53%	53%
1 County personal income (in 1,000s)	1,251,984	1,333,376	1,287,093	1,369,016	1,420,611	1,429,042	1,512,310	1,668,880	N/A	N/A
2 County per capita personal income	22,671	24,156	23,039	24,289	24,939	25,100	26,568	29,212	N/A	N/A
2 County median family income	38,229	40,191	38,712	40,010	40,550	40,834	42,861	43,220	42,077	41,121*
3 County median age	34.90	35.05	35.26	35.55	35.81	36.10	36.25	36.37	36.47	36.66
3 Percent with high school degree or higher	81.1%	N/A	N/A	N/A						
4 School enrollment	N/A	N/A	6,182	6,215	6,274	5,993	6,068	6,016	6,004	6052
5 County unemployment rate	5.7%	6.5%	6.9%	7.0%	6.2%	5.8%	5.4%	4.7%	4.9%	6.5%

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Sources:

- 1 Bureau of Economic Analysis
- 2 Port of Walla Walla
- 3 Washington Office of Financial Management
- 4 School District/Office of the Superintendent of Public Instruction
- 5 Port of Walla Walla 1999-2008, WA State Workforce 2009

N/A Information is not available at this time.

* Projection for 2009 is based on the Revenue Forecast Council's September 2009 forecast of the state personal income

**City of Walla Walla
Top Ten Principal Employers
Total Headcount
Current Year and Eight Years Prior****

<u>Employer within the City</u>	<u>2009</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>*% of total employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of total employment</u>
WA State Penitentiary	1245	1	8.1%	917	3	6.8%
Providence St. Mary Medical Center	999	2	6.5%	966	2	7.1%
Walla Walla School District	784	3	5.1%	825	4	6.1%
US Army Corps of Engineers	676	4	4.4%	314	9	2.3%
Walla Walla Community College	607	5	3.9%	1278	1	9.4%
Whitman College	529	6	3.4%	475	5	3.5%
Key Technology, Inc.	467	7	3.0%	375	6	2.8%
Veterans Admin Medical Center	399	8	2.6%	366	7	2.7%
Walla Walla General Hospital	391	9	2.5%	310	10	2.3%
Walla Walla County	376	10	2.4%	326	8	2.4%

Sources: 2009 Port of Walla Walla Annual Large Employer survey

*Used 2009 "average" total employment (only data available at this time) to calculate percentage from WA State Workforce website.

**2001 is the earliest data survey available per Port of Walla Walla

City of Walla Walla
Full-time Equivalent City Government Employees by Function
Last Seven Years*

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<u>Governmental activities:</u>							
General Government	33	30	32	34	35	38	37
Public Safety							
Police							
Officers	37	37	38	38	42	44	44
Civilians	15	14	15	16	11	11	11
Fire							
Officers	33	36	32	32	32	32	32
Civilians	3	2	2	2	1	1	2
Emergency dispatch	17	17	17	17	17	17	17
Utilities and environment	20	22	20	22	22	23	29
Transportation	8	8	14	14	12	12	12
Economic environment	8	5	10	12	12	14	12
Culture and recreation	35	33	33	34	34	32	31
Total governmental activities	<u>209</u>	<u>204</u>	<u>213</u>	<u>221</u>	<u>218</u>	<u>224</u>	<u>227</u>
<u>Business-type activities:</u>							
Ambulance	16	17	17	19	22	22	17
Golf Course	0	0	0	0	0	0	0
Landfill	7	8	8	8	8	8	10
Sanitation	16	18	17	16	16	16	15
Stormwater	5	5	5	5	5	5	5
Wastewater	4	4	4	4	4	4	4
Water	18	19	19	17	16	16	18
Total business-type activities	<u>66</u>	<u>71</u>	<u>70</u>	<u>68</u>	<u>71</u>	<u>71</u>	<u>69</u>
Total primary government	<u>275</u>	<u>275</u>	<u>283</u>	<u>289</u>	<u>289</u>	<u>295</u>	<u>296</u>

Sources: City of Walla Walla Budget documents; Human Resources department

* Data not collected prior to the preparation for GASB 34 implementation in 2003

City of Walla Walla
Operating Indicators by Function
Last Nine Fiscal Years***

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Attorney									
Requests for Legal Service	150	197	186	185	201	195	167	167	181
Total Walla Walla District Court Hearings	2,987	3,136	3,615	3,971	3,956	4,434	5,186	3,673	5,097
Development Services									
Permits processed for Building/	1,776	1,867	1,983	1,981	1,815	1,349	1,069	1,386	1,139
Construction value of permits completed	\$25,770,000	\$21,894,929	37,458,554	\$38,370,956	\$85,965,177	\$48,627,163	\$10,646,457	\$51,174,853	\$31,086,945
Code Enforcement complaints resolved	357	221	314	208	382	835	974	938	728
Library									
Questions Answered	71,057	71,369	70,217	54,213	53,035	51,543	57,550	57,554	48,400
Items Checked Out	231,751	233,912*	266,939	222,984	225,273	246,255	266,017	284,061	305,827
Children's Storytimes/Program Attendance	11,770	11,675	11,968	10,692	9,584	9,637	11,423	13,435	11,613
Adult Programs Attendance	242	268	264	166	424	1052	1016	668	719
Parks and Recreation Department									
Meals served during the summer	11,000	13,558	15,264	24,909	20,012	19,900	18,761	20,296	21,447
Special Event permits issued	47	46	43	52	36	41	48	43	44
Visits to City's Pools	15,000	16,420	17,459	16,888	10,332	2283*	4,119	3,240	4,505
Attendance for City recreation programs	41,000	66,408	70,345	62,843	85,760	89,500	95,000	98,000	100,000
Burial services at Mountain View Cemetery	257	245	219	235	225	236	222	204	205
Picnic Area Reservations	n/a	n/a	208	170	127	207	186	156	161
Fire Department									
Fire Responses	181	181	213	105	137	85	139	136	138
Hazardous Incident Responses	82	79	91	142	120	129	120	177	82
Ambulance Responses	4,485	4,487	4,958	5,061	4,889	5,183	5,169	5,428	5,208
Ambulance Transported Patients	3,105	2,943	3,256	3,375	3,319	3,480	3,435	3,575	3,509
Total Fire Loss	\$6,050,945	\$627,441	\$3,212,370	\$649,948	\$800,365	\$385,445	\$1,076,950	\$1,302,275	\$459,350
Estimated value of property saved	--	\$708,100	\$6,810,850	\$7,865,010	\$7,594,450	Unavailable	Unavailable	Unavailable	Unavailable
Safety Always Matters (SAM) Program #	3,500	4,000	3,000	3,614	3,460	3,579	3,878	3,747	3,811
Police Department									
Requests for Service	23,308	22,053	22,760	21,227	20,745	20,445	20,480	20,232	19,320
Death Investigations/Attempted Suicides	70	46	85	68	59	56	83	86	71
Other calls	11,809	11,236	11,287	11,015	9,977	10,387	10,529	10,388	9,990
Accidents	1,140	1,031	1,034	1,045	1,029	943	1,097	1,065	1,126
Animal Calls	1,458	1,209	2,221	1,959	2,169	2,141	2,435	2,506	2,233
Volunteer Hours	3311	2,511	2,504	1,743	1,390	1,095	1,346	727	933
Walla Walla Emergency Services									
Total calls	Unknown	143,800*	165,612	163,189	113,191	91,086	91,750	90,331	88,749
Calls for services dispatchers handled	87,604	95,408	92,955	91,687	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
9-1-1 calls	24,540	22,660	27,172	27,014	21,537	44,782	46,854	50,406	48,904

City of Walla Walla
Operating Indicators by Function (continued)
Last Nine Fiscal Years***

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Water									
Linear feet of line replaced	3,059	1,384	806	2,326	1,298	2,075	2,703	4,860	4,352
Linear feet of lines added to system	1,860	5,463	5,241	10,836	15,005	16,968	14,117	12,718	2,721
Million gallons of water to customers	3,803	3,802	3,752	3,512	3,624	3,760	3,879	3,744	3,649
Meters installed	--	275	605	759	876	731	1,087	533	371
Leaks repaired to mains and services	--	79	85	105	81	80	68	116	182
Wastewater									
Linear feet of line replaced	3,146	1,817	615	594	440	530	2,142	1,778	1,860
Linear feet of lines added to system	3,594	4,945	7,012	12,240	15,371	12,994	18,591	9,923	2,793
Feet of sanitary sewer lines cleaned	374,755	700,112	771,935	649,398	770,722	663,354	680,312	709,526	369,595
Stormwater									
Feet of storm lines cleaned	54,943	42,973	44,372	38,323	55,658	57,708	35,410	48,069	17,490
Streets									
Linear feet of new streets added to	800	950	5,119	3,637	12,800	9,615	12,195	10,853	642
Utility street cuts patched	121	101	143	157	168	123	137	185	118
Sanitation									
Pounds of curbside recycling collected	1,390,705	1,539,980	1,637,025	1,673,965	1,874,270	1,732,991	1,523,120	1,441,840	1,617,360
Million pounds of waste collected	45	43	44	49	50	48	47	30	27
Landfill									
Tons of solid waste collected	55,000	56,870	60,393	66,391	57,983	60,935	89,919	67,000	58,692
Pounds of hazardous waste collected	55,264	105,000	134,617	137,687	151,131	131,967	140,152	104,869	110,254
Landfill courtesy passes used	3,072	4,068	4,072	4,238	3,977	2,781	1,738	1,545	1,502
Pounds of metal recycled at the Landfill		344,160	279,300	288,840	301,140	261,220	271,280	144,360	194,120
Cubic yards of leaves collected and recycled	1,735	1,161	1,225	2,750	1,467	1,293	1,541**	2,203**	2,400**
Equipment Repair									
Equipment Pool repairs performed	3,614	3,009	3,852	8,522	8,071	7,392	4,074	3,970	3,804
Number of equipment repair parts used	11,148	12,318	14,185	13,005	13,846	14,864	15,973	15,711	14,799

*Memorial Pool closed after 2005 season. Visits to City's Pools reflect visits to Jefferson pool only for 2006 and later years.

**Indicated as tons

*** Information is unavailable prior to 2001

Sources: City of Walla Walla Public Works Department

City of Walla Walla
Capital Asset Statistics by Function
Last Six Fiscal Years*

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General Government						
City Hall	1	1	1	1	1	1
Public Safety						
Police						
Station-in same building as City Hall	1	1	1	1	1	1
Patrol vehicles	13	13	13	13	14	14
Vans/Swat vehicles	2	2	2	2	3	2
Animal control vehicle	1	1	1	1	1	1
Parking control vehicle	1	1	1	1	1	1
Fire						
Stations	2	2	2	2	2	2
Pumpers	4	4	4	4	4	4
Other vehicles	6	7	9	10	11	12
Burn trailer	1	1	1	1	1	1
Utilities and environment						
Service center building	1	1	1	1	1	1
Transportation						
Streets square yds	N/A	N/A	1,477,033	1,530,281	1,539,372	1,542,350
Culture and recreation						
Library building	1	1	1	1	1	1
Carnegie Art Center	1	1	1	1	1	1
Parks Department						
Museum buildings	2	1	1	1	1	1
Complex w/concessions	1	1	1	1	1	1
Pool buildings	2	2	2	2	2	2
Other parks buildings	28	28	28	28	28	28
Parks	5	5	5	5	5	5
Sportsplex	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1
Mausoleum	2	2	2	2	2	2
Ambulance						
Ambulances	5	5	5	5	5	5
Other vehicle	0	0	0	1	1	1
Defibrillators	2	8	8	8	9	9
Backup generator	0	0	1	1	1	1
Sanitation						
Refuse collection vehicles	12	12	12	13	13	15
Leaf loaders	2	2	2	2	2	2
Other vehicles	2	2	3	2	2	2
Water/Wastewater						
Miles of Water Mains	174	177	180	183	185	188
Miles of Wastewater Mains	128	131	133	137	139	143
Landfill						
Active landfills (available acres)	970	970	970	970	970	970
Closed landfills (acres)	97	97	97	97	97	97
Composting facility	0	0	0	1	1	1
Other business-type						
Golf course	1	1	1	1	1	1

Sources: City infrastructure project
City fixed asset system
City vehicle replacement schedule

N/A Information unavailable
* Data not collected prior to the preparation for GASB 34 implementation in 2003



OTHER SUPPLEMENTAL INFORMATION

This part of the City of Walla Walla's comprehensive annual finance report presents other information as required by the State of Washington.

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Schedules Sent Electronically (and not included herein)

- Schedule 04 - Detail of Revenues and Other Resources (Governmental Funds)
- Schedule 04 - Detail of Revenues (Proprietary Funds)
- Schedule 05 - Detail of Expenditures and Other Uses (Governmental Funds)
- Schedule 05 - Detail of Expenses (Proprietary Funds)

Required Schedules (contained herein)

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**City of Walla Walla
Schedule of Long-Term Debt
For the Year Ended December 31, 2009**

Title	ID. No.	Date of Original Issue	Date of Maturity	Beginning	Amounts		BARS Code for Receipt	Receiving Fund Number	Amounts		BARS Code for Redeeming Fund Number	Ending
				Outstanding Debt 1/1/2009	Issued In Current Year	Redeemed Current Year			Redemption	Outstanding Debt		
1996 GO bonds - Series A	251.11	5/29/1996	12/01/10	225,000					110,000	58200.7100	516.400	115,000
1996 GO bonds - Deferred Series B	251.11	5/29/1996	12/01/15	703,587					124,184	58200.7100	516.400	579,403
2001 Refunding GO bonds	251.11	9/26/2001	12/01/12	815,000					125,000	59195.7110	250.000	690,000
2004 GO bond - Fire station	251.12	4/01/2004	12/01/21	3,865,000					200,000	59195.7110	250.000	3,665,000
2005 GO bond-Street Construction	251.11	5/01/2005	12/01/24	265,946					12,973	59195.7110	250/320	252,973
2009 GO bond-Police Station	251.15	12/1/2009	12/01/29	-	11,595,000	39110.0000	310.000		-	59195.7110	250.000	11,595,000
Total General Obligation Bonds	<u>Total</u>			<u>5,874,533</u>	<u>11,595,000</u>				<u>572,157</u>			<u>16,897,376</u>

**City of Walla Walla
Schedule of Long-term Debt
For the Year Ended December 31, 2009**

Business Activities	ID. No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 01/01/2009	Additions	BARS Code for Receipt	Receiving Fund Number	Reductions	BARS code for Redemption	Redeeming Fund Number	Ending Balance 12/31/2009
<u>Water/Sewer Revenue Bond Payments</u>											
Water Bond 2002	252.11	5/08/2002	08/01/12	7,545,000				1,740,000	58234.7210	416.400	5,805,000
Water Bond 2005	252.11	5/01/2005	08/01/17	11,010,000				65,000	58234.7210	416.400	10,945,000
Total Water				18,555,000	-			1,805,000			16,750,000
WW Bond 2002	252.11	5/08/2002	08/01/12	930,000				225,000	58235.7210	418.400	705,000
WW Bond 2005	252.11	5/01/2005	08/01/17	1,325,000				130,000	58235.7210	418.400	1,195,000
Total Wastewater				2,255,000	-			355,000			1,900,000
Landfill Bond 2005	252.11	5/01/2005	12/01/19	2,548,714				186,156	58237.7200	419.400	2,362,558
Golf Course Bond 2005	252.11	5/01/2005	12/01/24	325,340				15,870	58200.7200	413.400	309,470
Total Bonds				23,684,054	-			2,362,026			21,322,028
<u>External Loan repayments</u>											
Water											
97-78897-038	263.67	1998	10/1/18	542,105	-			54,211	59234.7810	416.400	487,894
L9900019A	263.67	2000	12/30/20	9,504,235	-			661,878	58200.7910	418.400	8,842,357
PW-99-791-038	263.67	1999	7/1/19	4,101,883	-			372,898	58200.7910	418.400	3,728,985
PW-02-691-060	263.67	2002	7/1/22	3,894,439	-			278,174	58200.7910	418.400	3,616,265
PW-06-962-PRE-103	263.67	2006	7/1/2011	503,431	-			27,968	58200.7910	418.400	475,463
PW-07-962-018	263.67	2007	7/1/2027	6,514,032	309,073	38280.0003	418.400	342,844	58200.7910	418.400	6,480,261
Total Wastewater				24,518,020	309,073			1,683,762			23,143,331
Total Loans				25,060,125	309,073			1,737,973			23,631,225
Grand Total				48,744,179	309,073			4,099,999			44,953,253

City of Walla Walla
Schedule of Limitation of Indebtedness
As of December 31, 2009

Total Taxable Property Value as of January 2010	1,941,465,273	
1 2.5% general purposes limit is allocated between:	48,536,632	
2 <i>Up to 1.5% debt without a vote (councilmanic)</i>	29,121,979	
3 Less: outstanding debt	(5,445,316)	
4 Less: contracts payable	-	
5 Less: excess of debt with a vote	-	
6 Add: available assets	4,949,935	
7 Equals: remaining debt capacity without a vote	<u>28,626,597</u>	
8 <i>1% general purpose debt with a vote</i>	19,414,653	
9 Less: outstanding debt	(15,260,000)	
10 Less: contracts payable	-	
11 Add: available assets	-	
12 Equals remaining debt capacity with a vote	<u>4,154,653</u>	
13 2.5% utility purpose limit, voted	48,536,632	
14 Less: outstanding debt	-	
15 Less: contracts payable	-	
16 Add: available assets	-	
17 Equals remaining debt capacity- utility purpose, voted	<u>48,536,632</u>	
18 2.5% utility purpose limit, open space park and capital facilities, voted	48,536,632	
19 Less: outstanding debt	-	
20 Less: contracts payable	-	
21 Add: available assets	-	
22 Equals remaining debt capacity- park & facilities, voted	<u>48,536,632</u>	

CITY OF WALLA WALLA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

Grantor	Program Title	CFDA number	Other ID Number	From Pass-Through Awards	From Direct Awards	Current Year Expenditures
US Department of Agriculture Indirect Award from WA OSPI	Summer Food Service Program for Children	10.559	36974	64,420		<u>64,420</u>
	<u>Total US Department of Agriculture</u>					<u>64,420</u>
US Department of the Interior indirect award from WA state Dept of Archaeology and Historic Preservation	Historic Preservation Fund Grants-In-Aid	15.904	FY08-61018-003	5,000		<u>5,000</u>
	<u>Total US Department of the Interior</u>					<u>5,000</u>
US Department of Justice Indirect Award from WA State Dept of Commerce	Violence Against Women Formula Grants	16.588	F08-31103-049	11,250		11,250 Note 2
	Violence Against Women Formula Grants	16.588	2009-WF-AX-0004	3,592		3,592 Note 2
	<u>Total CFDA number</u>					<u>14,842</u>
US Department of Justice Direct Programs	Bulletproof Vest Partnership Program	16.607	1121-0235		4,858	<u>4,858</u>
	Edward Byrne Justice Assistance Grant	16.738	2007-DJ-BX-0172		973	<u>973</u>
	<u>Total US Department of Justice</u>					<u>20,670</u>
American Recovery and Reinvestment Act - US Department of Justice Direct Programs	ARRA - Community Oriented Policing Service Hiring Recovery Program	16.710	2009-RK-WX-0899		18,565	18,565 Note 9
	ARRA - Edward Byrne Justice Assistance Grant	16.804	2009-SB-B9-1027		107,802	107,802 Note 9
	<u>Total ARRA - US Department of Justice</u>					<u>126,367</u>
Federal Highway Administration Indirect Award from WA Department of Transportation	Highway Planning and Construction	20.205	LA-6000	255,717		255,717
	Highway Planning and Construction	20.205	LA-6653	333,917		333,917
	<u>Total Federal Highway Administration</u>					<u>589,634</u>
American Recovery and Reinvestment Act	Federal Highway Administration Indirect Award from WA Department of Transportation	ARRA - Highway Planning and Construction	20.205	ARRA-7169(001) LA-6844	526,839	526,839 Note 9
	<u>Total ARRA - Federal Highway Administration</u>					<u>526,839</u>
US Department of Transportation Indirect Award from WA Traffic Safety Commission	Law Enforcement Liaison Partnership	20.600	n/a	653		653
	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.600	n/a	1,734		1,734
	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	n/a	3,744		3,744
	Occupant Protection	20.602	n/a	5,308		5,308
	<u>Total US Department of Transportation</u>					<u>11,439</u>
US Department of Homeland Security Indirect Award from Walla Walla County	Narrow Band Implementation Plan	97.001	E10-024	27,090		27,090
	Law Enforcement Terrorism Prevention Program	97.067	C080681FED	1,079		1,079
	<u>Total US Department of Homeland Security</u>					<u>28,169</u>
Federal Emergency Management Agency Direct Awards	Federal Emergency Management Agency Disaster Assistance	07.035	n/a		27,450	<u>27,450</u>
	<u>Total Federal Emergency Management Agency</u>					<u>27,450</u>
	TOTAL FEDERAL AWARDS EXPENDED			<u>1,240,342</u>	<u>159,048</u>	<u>1,399,888</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule

CITY OF WALLA WALLA
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2009

Grantor	Program Title	Other ID Number	Current Year Expenditures
Washington State Patrol	School Zone Flashing Beacon	n/a	11,771 Note 2
	<u>Total Washington State Traffic Safety Commission</u>		<u>11,771</u>
Military Department Indirect Award from Walla Walla County	Washington State Enhanced 911 Program	E09-065	46,336 Note 2
	Total Indirect Military Department		<u>46,336</u>
Military Department Direct Award	Disaster Assistance	n/a	4,575 Note 2
	Total Direct Military Department		<u>4,575</u>
	<u>Total Military Department</u>		<u>50,912</u>
Office of the Secretary of State	Archives and Records Management	G-3913	27,141
	<u>Total Office of the Secretary of State</u>		<u>27,141</u>
Department of Commerce	Innovation Partnership Zone	S08-97205-003	232,484
	<u>Total Department of Community Trade & Economic Development</u>		<u>232,484</u>
Department of Ecology Direct Award	Permanent Compost Facility	G0900047	150,000 Note 2
	Permanent Compost Facility	G0900176	343,380 Note 2
	Coordinated Prevention Grant	G0900045	114,013 Note 2
	Coordinated Prevention Grant - Code Enforcement	G0900046	62,071 Note 2
	Community Litter Control Program	C0800068	39,697 Note 2
	Moderate Risk Waste - Solid Waste Plan	G0800635	2,961 Note 2
	Stormwater Phase II Implementation	G0700048	9,678 Note 2
	Garrison Creek Riparian Restoration	G0800592	22,103 Note 2
	<u>Total Department of Ecology</u>		<u>743,904</u>
Department of Health	EMS Trauma	n/a	1,726 Note 2
	<u>Total Department of Health</u>		<u>1,726</u>
Transportation Improvement Board	Urban Sidewalk Program	P-E-176(P01)-1	128,817 Note 2
	<u>Total Transportation Improvement Board</u>		<u>128,817</u>
Oregon Department of Forestry	Fire Fuel Removal	2008-973-86061	13,215
	<u>Total Oregon Department of Forestry</u>		<u>13,215</u>
	<u>TOTAL STATE ASSISTANCE</u>		<u>1,208,969</u>
Port of Walla Walla	13th Ave Improvements	n/a	74,060
	<u>Total Port of Walla Walla</u>		<u>74,060</u>
Walla Walla School District	Hobson Street	n/a	118,914 Note 2
	<u>Total Walla Walla School District</u>		<u>118,914</u>
	<u>TOTAL LOCAL ASSISTANCE</u>		<u>192,974</u>
	<u>TOTAL STATE AND LOCAL ASSISTANCE</u>		<u>1,402,943</u>

CITY OF WALLA WALLA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND LOCAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City of Walla Walla uses the accrual basis of accounting for all funds except the governmental fund types, expendable trust and agency funds which use the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the state and/or federal portion of the program costs. Entire program costs including the City of Walla Walla's portions, may be more than shown.

NOTE 9 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Expenditures for this program were funded by ARRA.

City of Walla Walla

LIMITATION ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES For the Year Ended December 31, 2009

1. Total current public work construction budget as amended (annual or biennial as applicable)	<u>34,680,036</u>
2. Allowable portion of total public works (10 percent of line 1)	<u>3,468,004</u>
3. Less: Amount (if any) in excess of permitted amount from prior budget period	<u>0</u>
4. Total allowable public works (line 2 minus line 3)	<u>3,468,004</u>
5. Total public works projects performed by public employees during the current year (include work performed by a county)	<u>1,075,675</u>
6. If this is the second year of a biennial budget, total public works projects performed by public employees during the first year of biennium	<u>NA</u>
7. Restricted under (over) allowable amount (line 4 minus line 5 minus line 6)	<u>2,392,329</u>

NOTE: If the restricted amount is over allowable, this amount must be carried forward to next budget period report.

MCAG NO. _____

Schedule 19

City of Walla Walla

(CITY/COUNTY/DISTRICT)

LABOR RELATIONS CONSULTANT(S)

For the Year Ended December 31, 2009

Has your government engaged labor relations consultants? Yes No

If yes, please provide the following information for each consultant:

Name of Firm	Menke, Jackson, Beyer, Eloffson, Ehliis & Harper, LLP
Name of Consultant	Rocky Jackson
Business Address	809 N. 39th Ave Yakima, WA 98902-6389 (509) 575-0313
Amount Paid to Consultant During Fiscal Year	
Terms and Conditions, as Applicable, Including:	
Rates (E.g., hourly, etc.)	\$175.00 / billable hours.
Maximum Compensation Allowed	
Duration of Services	January 1 - December 31, 2009
Services Provided	Legal Consultation and services related to Labor Relations

Certified Correct this	23rd	day of	March	, 20	10
to the best of my knowledge and belief:					
Signature					
Name	Jennifer Seekamp				
Title	HR Manager				