

CITY OF WALLA WALLA  
WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended  
December 31, 2010

Prepared by:  
Support Services Department



# TABLE OF CONTENTS

Page

## INTRODUCTORY SECTION

Letter of Transmittal .....	1
Certificate of Achievement Award .....	7
List of Elected and Appointed Officials .....	9
Organizational Chart .....	11

## FINANCIAL SECTION

Independent Auditor's Report .....	13
Management's Discussion and Analysis .....	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	30
Statement of Activities .....	31
Fund Financial Statements:	
Balance Sheet-Governmental Funds .....	32
Reconciliation of the Statement of the Balance Sheet to the Statement of Net Assets .....	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund .....	36
Statement of Net Assets - Proprietary Funds .....	37
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds .....	38
Statement of Cash Flows - Proprietary Funds .....	39
Statement of Fiduciary Net Assets - Fiduciary Funds .....	40
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	41
Notes to the Financial Statements .....	43
Combining and Individual Fund Statements:	
Combining Balance Sheet – Non-major Governmental Funds .....	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds .....	85
Combining Balance Sheet – Non-major Special Revenue Funds .....	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Special Revenue Funds .....	87
Combining Balance Sheet – Non-major Debt Service Funds .....	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Debt Service Funds .....	89
Combining Balance Sheet – Non-major Capital Project Funds .....	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Capital Project Funds .....	91
Combining Balance Sheet – Non-major Permanent Funds .....	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Permanent Funds .....	93
Non-major Governmental Funds Schedule of Expenditures- Budget to Actual .....	94
Combining Statement of Net Assets – Non-major Enterprise Funds .....	96
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets - Non-major Enterprise Funds .....	97

## TABLE OF CONTENTS – cont’d

Page

### FINANCIAL SECTION – cont’d

Combining and Individual Fund Statements (cont’d):	
Combining Statement of Cash Flows – Non-major Enterprise Funds .....	98
Combining Statement of Net Assets - Internal Service Funds.....	99
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets - Internal Service Funds .....	100
Combining Statement of Cash Flows - Internal Service Funds.....	101
Combining Statement of Plan Net Assets - Pension and Other Employee Benefit Trust Funds .....	104
Combining Statement of Changes in Fiduciary Net Assets - Pension and Other Employee Benefit Trust Funds .....	105
Combining Statement of Changes in Assets and Liabilities - Agency Funds .....	106

### STATISTICAL SECTION

Net Assets by Component .....	109
Changes in Net Assets.....	110
Fund Balances of Governmental Funds .....	113
Changes in Fund Balances of Governmental Funds.....	114
Governmental Activities Tax Revenue by Source .....	116
Property Tax Rates .....	117
Assessed Value and Estimated Actual Value of Taxable Property.....	118
Top Ten Principal Property Taxpayers .....	119
Property Tax Levies and Collections .....	120
Local Sales and Use Taxable Retail Sales by Industry .....	121
Combined Water Utility and Wastewater Utility Operating Statement.....	122
Water/Wastewater Various Rates and Capital Facilities Charges .....	123
Water and Wastewater Utility Customers by Category .....	126
Ratios of Outstanding Debt by Type .....	127
Ratios of General Bonded Debt Outstanding .....	128
Direct and Overlapping Governmental Activities Debt .....	129
Legal Debt Margin Information.....	130
Pledged Revenue Coverage .....	131
Demographic and Economic Statistics.....	132
Top Ten Principal Employers.....	133
Full-time Equivalent City Government Employees by Function .....	135
Operating Indicators by Function .....	136
Capital Asset Statistics by Function .....	138

### OTHER SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt .....	140
Schedule of Limitation of Indebtedness .....	142
Schedule of Expenditures of Federal Awards .....	143
Schedule of Expenditures of State Awards .....	144
Notes to the Schedule of Expenditures of Federal, State and Local Awards.....	145
Limitation on Public Works Projects Performed By Public Employees.....	146
Labor Relations Consultants .....	147

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

June 22, 2011

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, 2010.

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, 2010 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, 2010, 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 2010. 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, the Downtown Walla Walla Foundation, and Tourism Walla Walla.

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, 2009

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.



President

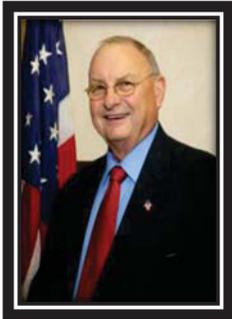
Executive Director



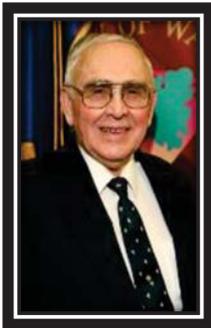
# 2011 Walla Walla City Council



*MAYOR*  
**Barbara Clark**  
 Term Expires 12/31/11  
 Length of Service – 13 years



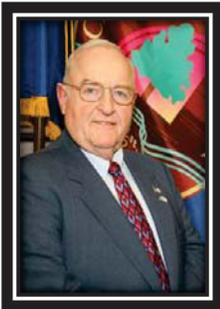
*MAYOR PRO-TEM*  
**Jim Barrow**  
 Term Expires 12/31/13  
 Length of Service – 3 years



*COUNCIL MEMBER*  
**Fred L. Mitchell**  
 Term Expires 12/31/11  
 Length of Service – 19 years



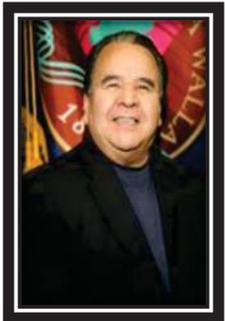
*COUNCIL MEMBER*  
**Dominick Elia**  
 Term Expires 12/31/11  
 Length of Service – 18 years



*COUNCIL MEMBER*  
**Jerry Cummins**  
 Term Expires 12/31/11  
 Length of Service – 19 years

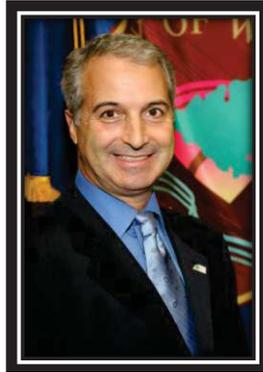


*COUNCIL MEMBER*  
**Shane Laib**  
 Term Expires 12/31/13  
 Length of Service – 5 years



*COUNCIL MEMBER*  
**Conrado V. Cavazos**  
 Term Expires 12/31/13  
 Length of Service – 1 year

## WALLA WALLA SENIOR MANAGEMENT Appointed Officials

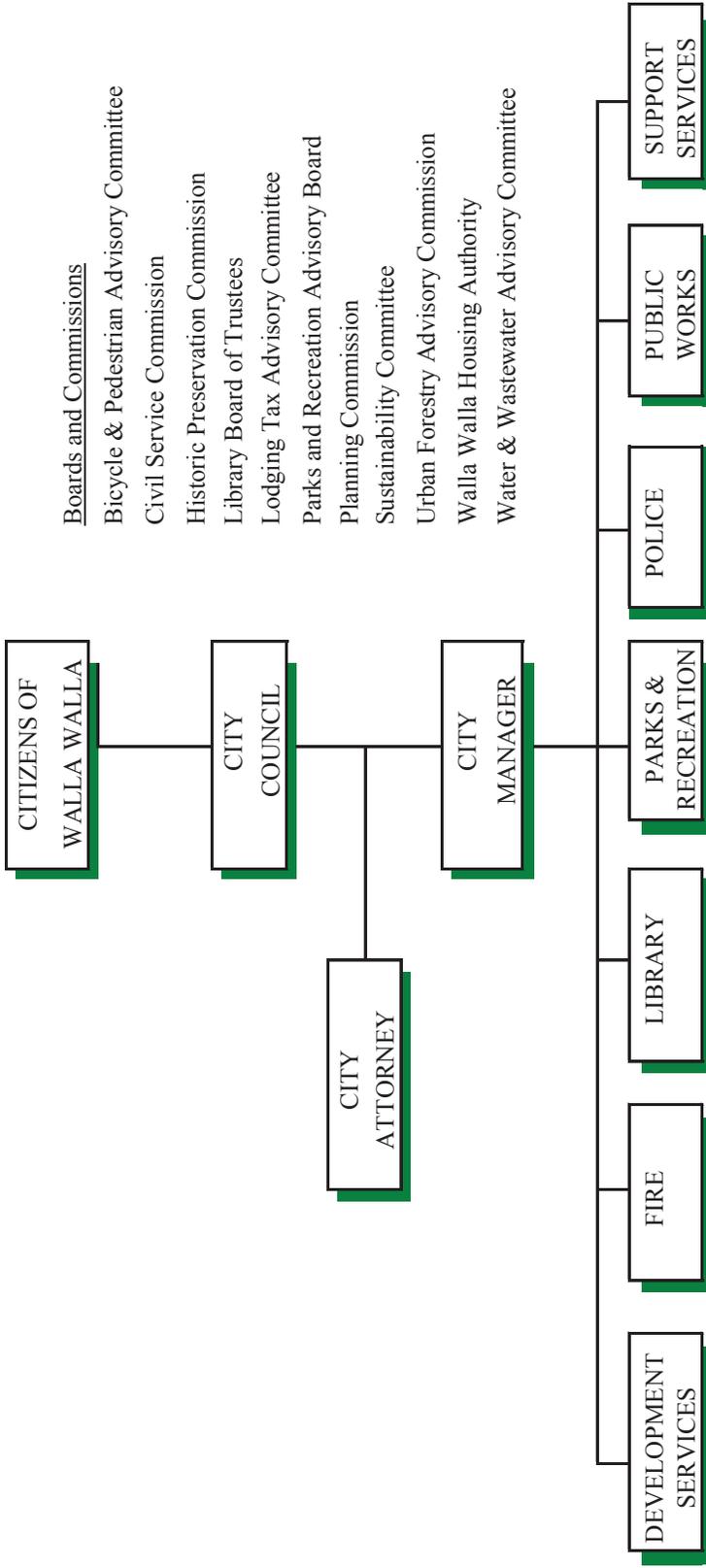


**City Manager**  
*Nabiel Shawa*  
Appointed October, 2009

	<u>Length in Position</u>	<u>Length of Employment</u>
<b>CITY ATTORNEY</b> <i>Tim Donaldson</i>	15 years	15 years
<b>CITY CLERK</b> <i>Kammy Hill</i>	16 years	16 years
<b>FIRE CHIEF</b> <i>Interim Chief Bob Yancey</i>	1 month	25 years
<b>LIBRARY DIRECTOR</b> <i>Interim Director Beth Hudson</i>	8 months	20 years
<b>PARKS &amp; RECREATION DIRECTOR</b> <i>Jim Dumont</i>	10 years	10 years
<b>POLICE CHIEF</b> <i>Chuck Fulton</i>	28 years	42 years
<b>PUBLIC WORKS DIRECTOR</b> <i>Interim Director Ki Bealey</i>	7 months	7 months
<b>SUPPORT SERVICES DIRECTOR</b> <i>Tim McCarty</i>	10 years	10 years

# CITY OF WALLA WALLA

## ORGANIZATIONAL CHART





INDEPENDENT AUDITOR'S REPORT

INDEPENDENT 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, 2010. This discussion and analysis should be considered in conjunction with the Letter of Transmittal as well as other components of the 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 \$125,518. Of this amount, \$6,235 may be used to meet the government's ongoing obligations to citizens and creditors.
- The city's total net assets increased by \$8,218. Business-type activities contributed an increase of \$3,062 while governmental-type activities contributed an increase of \$5,156. 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 \$15,037, a decrease of \$646 in comparison with the prior year. The main contributing factor for the decrease in fund balance is the increase in expenses associated with 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 \$1,868, which also represents 7.6% of total general fund expenditures.
- Spending on governmental activities included in the Construction Improvement Plan (CIP) during 2010 totaled \$5,450. The largest project was the 13<sup>th</sup> Avenue Rose to Pine Project was started in 2009 and was 64% complete in 2010. Total 2010 spending was \$1,223 out of a total project budget of \$1,911. A significant portion of the city's expenses for this project were supported by \$1,127 in Federal American Recovery and Reinvestment Act (ARRA) grant reimbursement.
- Spending on business activities included in the CIP during 2010 was for the new Infrastructure Replacement and Renewal Plan (IRRP) for updating water and sewer lines in the city. A major portion of funding for the IRRP is supported by bonds that will be paid by rate revenue from the Water and Wastewater Funds. The largest IRRP construction project was for Palouse-Newell for \$835 and was 99% complete in 2010.

### 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-three 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 2010 the street construction fund and the general construction fund were also major governmental funds. There are two construction funds that are currently not in use and therefore are not reported. Data from the other eighteen funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 non-major enterprise funds and 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 starting on page 65. The combining statements referred to earlier in connection with nonmajor governmental, proprietary and internal services can be found starting on page 84 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 \$125,518 at the close of the most recent fiscal year.

The largest portion of the City of Walla Walla's net assets (80%) 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. Also included in net assets (14%) is an amount set aside for capital projects. The remaining balance of unrestricted net assets (5%) totaling \$6,235, may be used to meet the government's ongoing obligations.

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 for the business-type activities and the government as a whole. However, for its governmental activities, the city is reporting a negative unrestricted balance of \$2,402 for 2010 in comparison to a negative \$1,890 in 2009. This negative balance is due to the restriction of unexpended bond proceeds for the construction of the new police station.

### City of Walla Walla's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current & other assets	24,891	24,438	22,212	30,948	47,102	55,386
Capital assets	42,590	48,992	104,144	103,712	146,734	152,704
Total assets	67,481	73,430	126,356	134,660	193,837	208,090
Other liabilities	1,913	1,888	934	831	2,847	2,719
Non-current liabilities	20,090	20,907	53,600	58,944	73,690	79,851
Total liabilities	22,003	22,795	54,534	59,775	76,537	82,570
Net assets:						
Invested in capital, net of related debt	35,961	41,988	59,191	58,806	95,152	100,794
Restricted	11,407	11,049	-	7,440	11,407	18,489
Unrestricted	(1,890)	(2,402)	12,632	8,638	10,742	6,235
Total net assets	45,478	50,635	71,822	74,884	117,300	125,518

The city's current and other assets for governmental activities decreased by \$453, primarily due to increased expenses for construction of the new police station. Capital assets in turn increased in governmental activities in view of those same activities. Increases in current and other assets in business-type are due to bond proceeds for construction activities. Non-current liabilities increased due to debt issuance for a new fire truck in governmental activities and for infrastructure improvements in business-type activities.

The city's net assets increased by \$8,218 during the current fiscal year. This increase represents the degree to which ongoing revenues have exceeded increases in ongoing expenses mostly through rate increases.

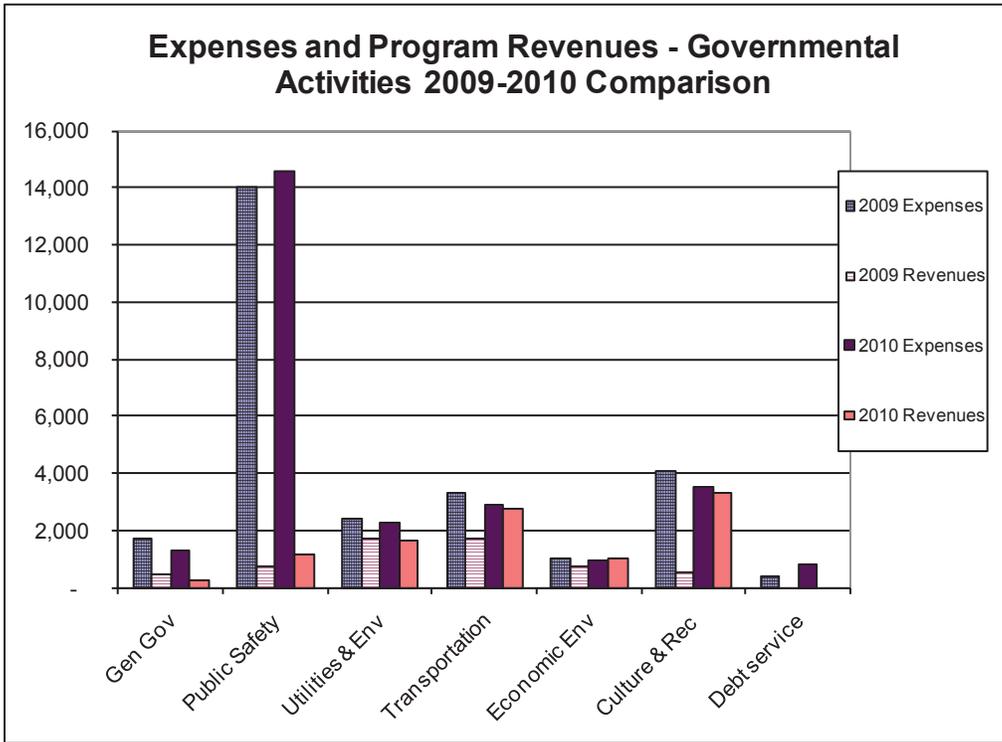
Property tax revenue has increased due to a statutory allowable tax levy increase, property tax levies associated with construction projects for public safety, and additional construction; other taxes have increased slightly due to increased volume of taxable events as the tax rates have not changed. 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.

Other taxes also decreased because of the weak economy or weather conditions. Many of these taxes are related to the tourism industry, such as lodging taxes, but the tax on natural gas decreased because of the moderate temperatures during the winter months and an increase in the cost of natural gas.

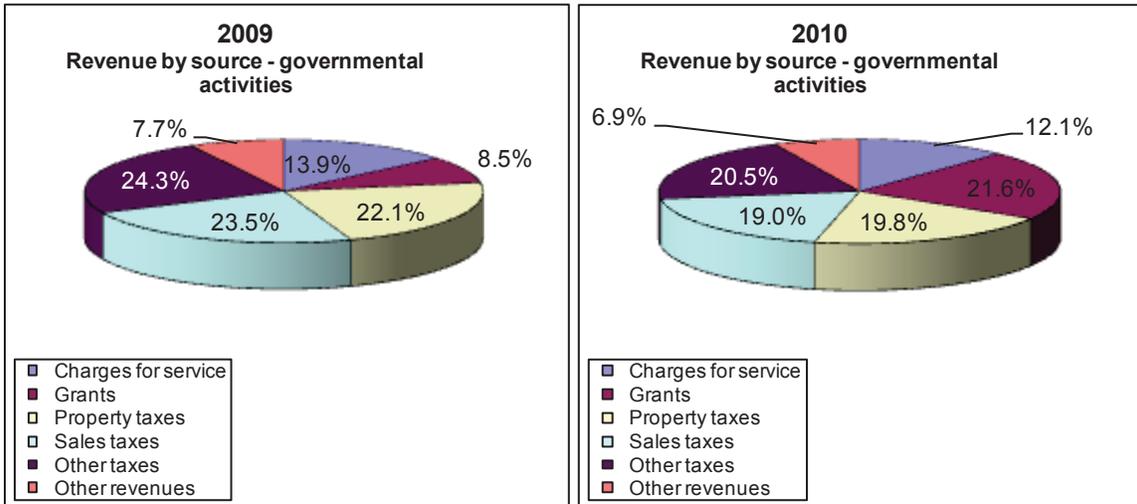
### City of Walla Walla's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues:						
Charges for service	3,621	3,636	26,783	28,373	30,404	32,009
Operating grants/contributions	435	799	245	303	680	1,102
Capital grants/contributions	1,789	5,679	972	736	2,761	6,416
General revenues:						-
Property taxes	5,780	5,926	-	-	5,780	5,926
Sales taxes	6,135	5,687	-	-	6,135	5,687
Other taxes	6,331	6,120	-	-	6,331	6,120
Other revenues	2,014	2,078	497	342	2,511	2,420
Total revenues	<u>26,105</u>	<u>29,926</u>	<u>28,497</u>	<u>29,755</u>	<u>54,602</u>	<u>59,681</u>
Expenses:						
General government	1,703	1,272	-	-	1,703	1,272
Public safety	14,042	14,548	-	-	14,042	14,548
Utilities and environment	2,411	2,253	-	-	2,411	2,253
Transportation	3,295	2,903	-	-	3,295	2,903
Economic environment	1,007	925	-	-	1,007	925
Culture and recreation	4,056	3,530	-	-	4,056	3,530
Interest on long -term debt	368	833	-	-	368	833
Ambulance	-	-	3,285	3,390	3,285	3,390
Golf course	-	-	135	122	135	122
Landfill	-	-	7,489	2,868	7,489	2,868
Sanitation	-	-	3,863	4,297	3,863	4,297
Storm water	-	-	690	714	690	714
Water/Wastewater	-	-	12,202	13,807	12,202	13,807
Total expenses	<u>26,882</u>	<u>26,263</u>	<u>27,664</u>	<u>25,200</u>	<u>54,546</u>	<u>51,463</u>
Increase in net assets before						
Transfers	(776)	3,663	833	4,555	55	8,217
Transfers	531	1,493	(531)	(1,493)	-	-
Increase in net assets	(245)	5,156	302	3,063	56	8,218
Net assets – beginning	<u>45,723</u>	<u>45,478</u>	<u>71,521</u>	<u>71,822</u>	<u>117,244</u>	<u>117,300</u>
Net assets – ending	<u>45,478</u>	<u>50,634</u>	<u>71,822</u>	<u>74,884</u>	<u>117,300</u>	<u>125,518</u>

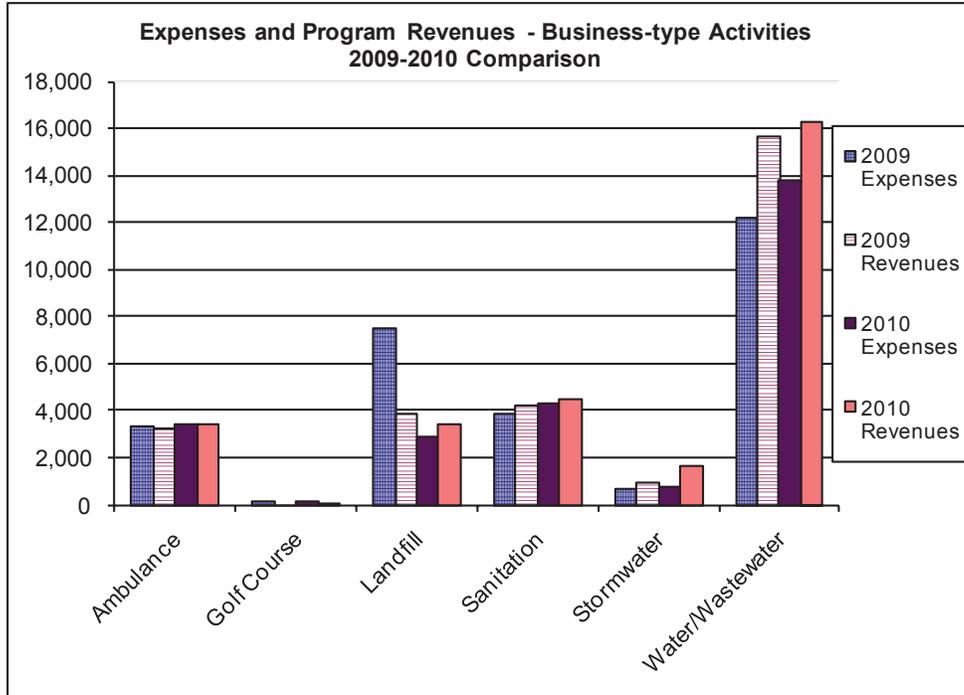
**Governmental activities.** Governmental activities increased the City of Walla Walla's net assets by \$5,156. This increase is partly due to an increase in grants and capital contributions of \$3,890; a decrease in general government function costs caused by a reduction in staff and associated benefits, and a decrease of \$526 in culture and recreation costs. Property taxes increased by \$146 over the previous fiscal year. Sales taxes showed a decrease of \$448 because of the downturn in the economy.



### Revenues by Source-Governmental Activities

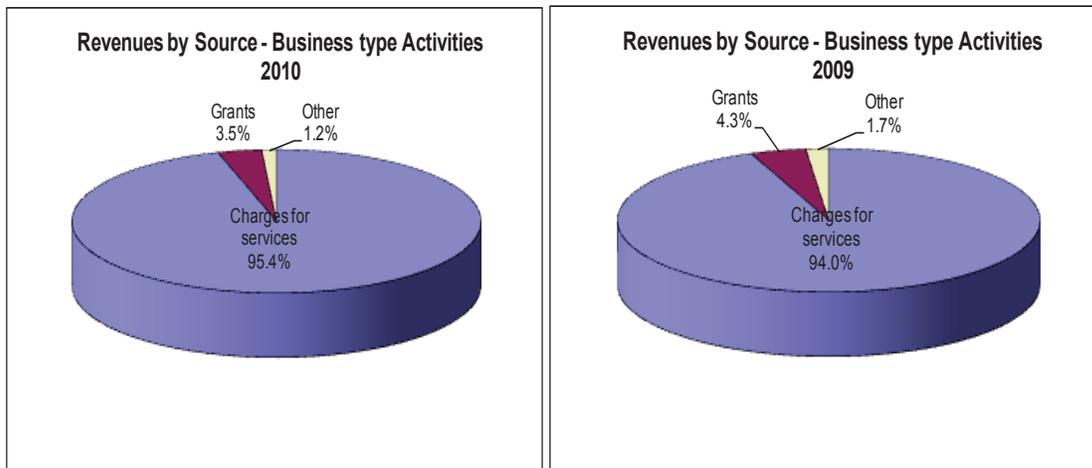


**Business-type activities.** Business-type activities increased the City of Walla Walla's net assets by \$3,062.



The landfill expenses decreased significantly from 2009 to 2010 due to a large recognition of reserve requirement for pollution remediation and landfill closure in 2009. 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 revenue increase in water/wastewater is due to rate adjustments for replacing aging infrastructure in the city. The City Council approved the issuance of bonds to be paid back over five years to initially fund the city's Infrastructure Renewal and Replacement Plan. The increases in rates will be used to make the bond principal and interest payments. The city plans to maintain the rate increases after the bonds are repaid to fund the IRRP in ensuing years.

**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 2010, the City of Walla Walla's governmental funds reported combined ending fund balances of \$15,037 a decrease of \$646 in comparison with the prior year. The decrease in fund balances is due to expenses associated with construction of a new police station and decreases in revenue due to the downturn in the economy. Approximately \$13,742 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 \$1,868. As a measure of the general fund's liquidity, it may be useful to compare unreserved, undesignated fund balance to total expenditures. Accordingly, unreserved, undesignated fund balance represents 7.6% of the total expenditures.

The fund balance of the City of Walla Walla's general fund decreased by \$179 during the 2010 fiscal year. Key factors in this decline are a decrease in revenue due to the economy while expenses remained level. Overall revenues decreased by 1.95% while total expenditures decreased by 0.2%.

The general construction fund had an ending balance of \$9,258, 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 construction of the police station is in progress and expected to be completed in late 2011.

The street construction fund had an ending balance of \$1,057, all of which is dedicated to street construction projects. The main revenue in 2010 for this fund was intergovernmental revenues and grants of \$2,367. Expenditures are almost exclusively capital outlay (98%) related to several construction projects. The two largest projects were 13<sup>th</sup> Avenue Rose to Pine and Palouse Street Bridge with expenses in 2010 of \$1,223 and \$624 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	\$999	Ambulance	\$756
Water/Wastewater	\$2,757	Landfill	\$(4,560)

Landfill shows negative unrestricted net assets mainly due to the landfill closure, post-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**

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 because the labor contract for unionized clerical and trades workers stipulated that their salaries are tied to the consumer price index which was a negative 2.4%.

As required by state and municipal 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 2010. The City Manager also instituted a reduction in travel expenses and limited other expenses to mission critical items. In addition, he eliminated positions and held vacant positions open to conserve spending. As a result, actual expenses for 2010 were less than the final adjusted budget. Actual revenues for 2010 were less than the final adjusted budget because of decreases in sales taxes, business and operation taxes, building permits 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, 2010 amounts to \$100,794 (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 an increase of \$6,027 for governmental activities and a decrease of \$385 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 (CIP) during 2010 totaled \$5,450. The largest project was the 13th Avenue Rose to Pine Project. This project was started in 2009 and was 64% completed in 2010. Total 2010 spending was \$1,223 out of a total project budget of \$1,911. A significant portion of the city's expenses were supported by \$1,127 in Federal ARRA grant reimbursement.
- Spending on business activities included in the CIP during 2010 was for the new Infrastructure Replacement and Renewal Plan (IRRP) for updating water and sewer lines in the city. A major portion of funding for the IRRP is supported by bonds that will be paid by rate revenue from the Water and Wastewater Funds. The largest IRRP construction project was for Palouse-Newell for \$835 and was 99% complete.

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Land	3,613	3,679	1,222	1,222	4,835	4,901
Construction in progress	3,916	9,584	12,734	6,160	16,650	15,743
Buildings	7,574	9,151	18,578	17,982	26,152	27,133
Improvements	3,644	3,850	6,977	6,620	10,621	10,470
Equipment	1,352	1,341	4,669	4,679	6,022	6,020
Infrastructure	22,490	21,387	59,965	67,049	82,455	88,436
Total capital assets	42,590	48,992	104,145	103,712	146,734	152,703

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 \$46,574. Of this amount \$22,084 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 \$5,270 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 \$21,849.

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	
	2009	2010	2009	2010	2009	2010
General obligation bonds	16,897	16,814	-	10,910	16,897	27,724
Revenue Bonds	-	-	21,322	18,850	21,322	18,850
Construction Loans	-	-	23,631	21,849	23,631	21,849
Total	16,897	16,814	44,953	51,609	61,850	68,422

**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 to closely monitoring revenues and expenses throughout the year. In 2010, the city completed the process of setting the budget for the 2011-2012 biennium. For the budget process, the city used the 2010 expense budget as a starting point for the 2011-2012 budgets and reduced the budgets as necessary to meet the projected revenues. Sales taxes on 2011 are projected to continue at levels experienced in the last six months of 2010 as well as revenue derived from areas such as utility taxes and real estate excise tax.

The local economy experienced a significant downturn in 2010, 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. For 2011-12, the city continued to conservatively budget revenue and expenses.

With the downturn in the economy, it was necessary for the city to review its practices and streamline processes as necessary. A result of this review was to eliminate the department of economic development which included the reduction of one FTE. In addition, the city and county combined their planning, community development, and permitting functions into one joint agency. The new Walla Walla Joint Community Development Agency is a separate entity from both the city and the county and improves the efficiency of operation by combining the services of both the city and the county. This change resulted in the reduction of 9 positions for the city.

During 2011, the city will monitor its budget and perform a mid-biennial budget review as required by state and city code. The review could result in a modification of the 2011-2012 biennial budget and adjustment to expenditure and revenue budgets to more accurately reflect the economy.

Based on current information from the County Assessor's Office (numbers not presented in thousands), the proposed 2011 property tax levy of \$4,727,626 includes an increase of \$30,616 from new construction in 2010 and improvements to property plus the allowed 1% or \$46,500 increase in the levy. Additionally, the increase in the property tax levy

includes \$538 related to territory annexed in 2010. Property tax estimates for 2012 are difficult at best to estimate without valuation figures, which will not be available until this time next year.

On the expense side health insurance premiums will continue to rise for all city departments, increasing by approximately 10% from 2010 to 2011. To reduce the impact of the health insurance increases, the city switched to a different medical plan, but even with this change, premiums for health care continue to rise.

During the budget process for the 2011-12 biennial budget, labor negotiations resulted in concessions by some of the unions. In particular, the Police Guild and Fire Department uniformed personnel accepted salary and benefit concessions. Non-represented personnel also agreed to a temporary reduction in some benefits.

The proposed budget assumes a number of increases in fees for services. Ambulance rates are proposed to increase 5% in 2011. Water rates will increase 9% in 2011; 3% for operations and management and 6% for the Infrastructure Repair and Replacement Plan (IRRP). Wastewater rates will increase 10% in 2011; 2% for operations and management and 8% for the IRRP. Stormwater rates will rise 4% in 2011; 2% for operations and management and 2% for the IRRP. Operations and management rate increases are due to the cost of inflation and costs of meeting federal and state requirements. Landfill and Sanitation are not currently budgeted for a rate increase in 2011.

Following citizen input, the Council approved five years of utility rates for Water, Wastewater and Stormwater dedicated to funding the IRRP that began in 2010. The IRRP is a long-term plan to replace the aging infrastructure in water, wastewater, and storm water. Funding generated by a special rate increase has been committed by Council for support of the IRRP projects. Proceeds from bonds issued in 2010 will be used to fund the first three years of IRRP projects with the special rate increases being used to meet the payments of principal and interest for the bonds. At the end of five years, the bonds will be paid in full and the special rate revenue will be used to fund future IRRP projects.

### **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 Finance Manager, 15 N. 3<sup>rd</sup> Street, Walla Walla, WA 99362.





**City of Walla Walla**  
**Statement of Net Assets**  
**December 31, 2010**

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and equivalents	17,040,219	21,781,870	38,822,089
Other receivables (net of allowance)	692,606	2,081,713	2,774,319
Prepays	252,394	7,107	259,501
Taxes receivables	6,334,175	-	6,334,175
Special assessment receivable	52,807	-	52,807
Notes receivable	43,664	13,713	57,377
Inventories	-	356,616	356,616
Unrestricted investments	-	192,649	192,649
Temporarily restricted investments	-	3,036,339	3,036,339
Restricted cash	-	-	-
Temporarily restricted	-	733,359	733,359
Permanently restricted	850,006	1,804,901	2,654,907
Deferred charges	11,621	99,321	110,942
Interfund loans receivable (payable)	(1,170,477)	1,170,477	-
Internal balances receivable (payable)	330,772	(330,772)	-
Capital assets not depreciated:			
Land	3,679,246	1,221,574	4,900,820
Construction in progress	9,583,505	6,159,755	15,743,260
Capital assets net of accumulated depreciation:			
Buildings and structures	9,150,887	17,982,105	27,132,992
Other improvements	3,850,235	6,619,774	10,470,009
Machinery and equipment	1,340,844	4,679,243	6,019,887
Infrastructure	21,387,076	67,049,213	88,436,289
Total assets	<u>73,429,380</u>	<u>134,658,957</u>	<u>208,088,337</u>
<b>LIABILITIES</b>			
Accounts payable	219,671	55,303	274,974
Other accrued liabilities	1,456,705	775,363	2,232,068
Deferred revenues	211,657	-	211,657
Noncurrent Liabilities:			
Due within one year	2,390,073	7,151,672	9,541,745
Due in more than one year	18,516,993	51,792,532	70,309,525
Total liabilities	<u>22,795,099</u>	<u>59,774,870</u>	<u>82,569,969</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	41,988,033	58,806,203	100,794,236
Restricted for:			
Permanent Funds			
Expendable	19,090	-	19,090
Nonexpendable	850,006	-	850,006
Library Donations	8,756	-	8,756
Parks Donations	184,430	-	184,430
Capital Projects	9,986,352	7,440,043	17,426,395
Unrestricted	(2,402,386)	8,637,841	6,235,455
Total net assets	<u>50,634,281</u>	<u>74,884,087</u>	<u>125,518,368</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, 2010

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	1,272,314	259,343	-	-	(1,012,971)		(1,012,971)
Public safety	14,548,204	515,762	612,629	47,518	(13,372,295)		(13,372,295)
Utilities and environment	2,252,629	1,604,956	250	15,533	(631,890)		(631,890)
Transportation	2,902,711	355,878	-	2,393,927	(152,906)		(152,906)
Economic environment	925,031	582,598	-	423,928	81,495		81,495
Culture and recreation	3,529,640	317,355	186,424	2,798,492	(227,369)		(227,369)
Interest expense	832,691	-	-	-	(832,691)		(832,691)
Total governmental activities	26,263,219	3,635,892	799,303	5,679,398	(16,148,626)		(16,148,626)
Business-type Activities:							
Ambulance	3,390,344	3,444,853	2,186	-		56,695	56,695
Golf Course	122,256	77,185	-	5,002	(40,069)		(40,069)
Landfill	2,868,474	3,327,597	73,167	29,133	561,423		561,423
Sanitation	4,297,310	4,509,943	12,117	-	224,750		224,750
Stormwater Management	714,354	1,253,731	203,981	195,865	939,223		939,223
Water/Wastewater	13,807,084	15,760,002	11,102	506,454	2,470,474		2,470,474
Total business-type activities	25,199,822	28,373,311	302,553	736,454	-	4,212,496	4,212,496
Total primary government	\$ 51,463,041	\$ 32,009,203	\$ 1,101,856	\$ 6,415,852	(16,148,626)	4,212,496	\$ (11,936,130)

General revenues:

Taxes:	
Property taxes	5,926,165
Sales taxes	5,687,489
Business and occupation taxes	3,137,873
Payment in lieu of taxes	2,296,596
Gambling taxes	108,771
Real estate excise taxes	188,777
Leasehold taxes	27,258
Tourism Promotion tax	18,378
E911 access taxes	342,780
Intergovernmental	2,008,115
Miscellaneous general revenues	69,669
Gain (loss) on sale of capital assets	-
Transfers	1,493,227
Total general revenues & transfers	21,305,098
Change in net assets	5,156,472
Net assets - beginning	45,477,809
Net assets - ending	\$ 50,634,281

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

City of Walla Walla  
Balance Sheet  
Governmental Funds  
December 31, 2010

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
<b>ASSETS</b>					
Cash and equivalents	3,074,137	9,243,110	1,943,466	1,933,840	16,194,553
Restricted cash & cash equivalents	-	-	-	850,006	850,006
Taxes receivables (net)	5,117,591	-	-	1,216,584	6,334,175
Other receivables (net)	493,204	53,504	16,139	47,529	610,376
Prepays	252,394	-	-	-	252,394
Special assessments receivable	-	-	-	52,807	52,807
Notes receivable	-	-	-	43,664	43,664
Total assets	<u>\$ 8,937,326</u>	<u>\$ 9,296,614</u>	<u>\$ 1,959,605</u>	<u>\$ 4,144,430</u>	<u>\$ 24,337,975</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:					
Accounts payable	121,150	37,277	30,849	15,641	204,917
Other accrued liabilities	1,155,268	933	191,615	31,754	1,379,570
Interfund loans payable	34,718	-	680,000	455,759	1,170,477
Deferred revenues	5,311,986	-	-	1,233,846	6,545,832
Total liabilities	<u>6,623,122</u>	<u>38,210</u>	<u>902,464</u>	<u>1,737,000</u>	<u>9,300,796</u>

Fund balances:

Reserved for					
Prepays	252,394	-	-	-	252,394
Library Reserves	8,756	-	-	-	8,756
Parks Reserves	184,430	-	-	-	184,430
Endowment Principal	-	-	-	850,006	850,006
Unreserved, reported in:					
General Fund	1,868,624	-	-	-	1,868,624
Special Revenue	-	-	-	1,262,193	1,262,193
Debt Service	-	-	-	221,151	221,151
Capital Projects	-	9,258,404	1,057,141	54,990	10,370,535
Permanent Fund	-	-	-	19,090	19,090
Total fund balances	<u>2,314,204</u>	<u>9,258,404</u>	<u>1,057,141</u>	<u>2,407,430</u>	<u>15,037,179</u>
Total liabilities and fund balances	<u>\$ 8,937,326</u>	<u>\$ 9,296,614</u>	<u>\$ 1,959,605</u>	<u>\$ 4,144,430</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.	48,991,593
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 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.	(20,710,826)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,334,175
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 net assets.	970,539
Certain transactions related to debt issuance are reported as expenditures and other financing sources/uses in the governmental funds. For the statement of net assets, the net amount of these transactions is capitalized as deferred charges and will be amortized as an adjustment to interest expense over the remaining life of the debt.	11,621
Net assets of governmental activities (see page 30)	<u><u>\$ 50,634,281</u></u>

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, 2010**

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
<b>REVENUES</b>					
Taxes	15,278,785	-	-	1,902,523	17,181,308
Licenses and permits	420,954	-	-	188,611	609,565
Intergovernmental revenues	1,242,371	155,928	2,367,122	961,665	4,727,086
Charges for goods and services	6,534,623	5,800	-	353,295	6,893,718
Fines and forfeitures	299,566	-	-	4,900	304,466
Miscellaneous revenues	266,294	40,859	7,579	80,216	394,948
Total revenues	<u>24,042,593</u>	<u>202,587</u>	<u>2,374,701</u>	<u>3,491,210</u>	<u>30,111,091</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,506,634	-	-	-	5,506,634
Public safety	12,500,081	-	-	37,029	12,537,110
Utilities and environment	2,325,780	-	-	1,258	2,327,038
Transportation	-	-	18,862	1,527,401	1,546,263
Economic environment	724,577	3,550	-	268,373	996,500
Culture and recreation	2,831,465	-	-	575,382	3,406,847
Debt service:					
Principal Retirement	430,000	-	-	682,973	1,112,973
Interest	32,610	-	-	654,014	686,624
Administrative charges	12,263	-	-	1,560	13,823
Capital outlay:					
General government	71,127	-	-	-	71,127
Public safety	9,829	1,297,093	-	8,780	1,315,702
Utilities and environment	6,059	-	-	-	6,059
Transportation	-	-	4,012,258	-	4,012,258
Economic environment	-	206,163	-	-	206,163
Total expenditures	<u>24,450,425</u>	<u>1,506,806</u>	<u>4,031,120</u>	<u>3,756,770</u>	<u>33,745,121</u>
Excess (deficiency) of revenues over expenditures	(407,832)	(1,304,219)	(1,656,419)	(265,560)	(3,634,030)

	General Fund	General CIP's	Street CIP's	Other Governmental	Total Governmental
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	146,631	36,200	2,334,267	885,098	3,402,196
Transfers out	(1,498,722)	(49,777)	(59,522)	(411,010)	(2,019,031)
Insurance Recoveries	259,852	-	-	23,262	283,114
Bonds Issued	1,260,000	-	-	-	1,260,000
Premium on Bonds Issued	61,298	-	-	-	61,298
Total other financing sources and uses	<u>229,059</u>	<u>(13,577)</u>	<u>2,274,745</u>	<u>497,350</u>	<u>2,987,577</u>
Net Change in fund balances	<u>(178,773)</u>	<u>(1,317,796)</u>	<u>618,326</u>	<u>231,790</u>	<u>(646,453)</u>
Fund balances -- beginning	2,492,977	10,576,200	438,815	2,175,640	15,683,632
Fund balances -- ending	<u>\$ 2,314,204</u>	<u>\$ 9,258,404</u>	<u>\$ 1,057,141</u>	<u>\$ 2,407,430</u>	<u>\$ 15,037,179</u>

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

Net change in fund balances - total governmental funds (above) (646,453)

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. 6,401,218

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 effect on net assets. 34,250

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 210,000

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 (629,648)

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. (224,516)

Bond issuance costs are reported as expenditures in governmental funds. In the statement of net assets, they are reported as assets and amortized over the life of the bonds. 11,621

Change in net assets of governmental activities (see page 31) \$ 5,156,472

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, 2010

	Approved Original Budget 2009-2010 Biennium	Approved Final Budget 2009-2010 Biennium	Actual Biennium To-Date Through 12/31/10	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	32,820,170	31,441,820	31,110,170	(331,650)
Licenses and permits	1,816,790	985,970	956,980	(28,990)
Intergovernmental revenues	1,935,100	2,464,770	2,463,240	(1,530)
Charges for goods and services	12,544,660	13,129,440	12,942,430	(187,010)
Fines and forfeits	791,610	596,180	596,930	750
Miscellaneous revenues	636,670	525,680	493,010	(32,670)
Total revenues	50,545,000	49,143,860	48,562,760	(581,100)
<b>EXPENDITURES</b>				
Current:				
General government	11,545,780	11,384,700	11,162,150	222,550
Public safety	25,402,550	25,059,870	24,694,980	364,890
Utilities and environment	4,549,710	5,100,900	4,788,620	312,280
Economic environment	2,098,960	1,812,890	1,659,640	153,250
Culture and recreation	6,178,540	6,384,180	5,930,040	454,140
	49,775,540	49,742,540	48,235,430	1,507,110
Debt service:				
Principal Retirement	227,410	442,760	442,270	490
Interest	19,890	50,420	50,420	-
	247,300	493,180	492,690	490
Capital Outlay:				
General government	179,340	165,640	160,340	5,300
Public safety	-	66,730	29,650	37,080
Utilities and environment	-	27,490	19,520	7,970
Culture and recreation	12,000	12,280	12,240	40
	191,340	272,140	221,750	50,390
	50,214,180	50,507,860	48,949,870	1,557,990
Total expenditures	330,820	(1,364,000)	(387,110)	976,890
Excess (deficiency) of revenues over (under) expenditures	-	1,321,300	1,321,300	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued	-	272,430	175,310	(97,120)
Insurance recoveries	-	611,720	432,730	(178,990)
Transfers in	51,000	(2,227,930)	(2,226,620)	1,310
Transfers out	(1,270,040)	(22,480)	(297,280)	(274,800)
Total other financing sources and uses and special items	(888,220)	(1,386,480)	(684,390)	702,090
Net change in fund balances	2,998,610	2,998,612	2,998,610	(2)
Fund balances -- beginning	\$ 2,110,390	\$ 1,612,132	\$ 2,314,220	\$ 702,088
Fund balances -- ending				

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, 2010**

	Business-type Activities - Major Enterprise Funds						Total Internal Service
	Sanitation	Water/Wastewater	Landfill	Ambulance	Other Enterprise	Total Enterprise	
<b>ASSETS</b>							
Current assets:							
Cash and equivalents	856,078	12,795,382	1,273,044	584,391	979,222	16,488,117	6,139,420
Other receivables (net)	269,849	1,082,076	144,446	498,791	76,907	2,072,069	91,874
Interfund loans receivable	-	-	-	-	-	-	1,042,543
Inventories	-	211,296	-	-	-	211,296	145,320
Restricted cash and cash equivalents	-	-	733,359	-	-	733,359	-
Total current assets	1,125,927	14,088,754	2,150,849	1,083,182	1,056,129	19,504,841	7,419,157
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	1,804,901	-	-	1,804,901	-
Restricted investments	-	3,036,338	-	-	-	3,036,338	-
Unrestricted investments	-	192,649	-	-	-	192,649	-
Long term receivable	-	-	13,713	-	-	13,713	-
Interfund loans receivable	-	-	-	-	-	-	2,240,717
Deferred charges	-	69,739	29,582	-	-	99,321	-
Other debits	-	7,107	-	-	-	7,107	-
Land	-	572,495	593,684	-	55,415	1,221,574	135,600
Buildings and structures (net)	-	17,362,683	619,423	-	17,982,106	35,724,212	2,601,429
Improvements other than buildings (net)	-	1,340,759	4,129,444	-	1,149,573	6,619,776	-
Machinery and equipment (net)	20,325	308,461	217,585	76,985	9,449	632,805	4,270,900
Infrastructure (net)	-	65,794,918	709,420	-	544,875	67,049,213	14,486
Construction in progress	-	5,544,841	46,957	-	567,957	6,159,755	337,241
Total noncurrent assets	20,325	94,229,990	8,164,689	76,985	2,327,269	104,819,258	9,600,373
Total assets	1,146,252	108,318,744	10,315,538	1,160,167	3,383,398	124,324,099	17,019,530
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	2,939	45,218	2,559	1,966	-	52,682	17,375
Other accrued liabilities	52,885	491,815	60,872	129,596	19,824	754,992	97,506
Industrial insurance claims	-	-	-	-	-	-	25,590
Compensated absences	57,130	82,894	67,460	170,386	16,613	394,483	131,076
Landfill closure payable from restricted assets	-	-	450,373	-	-	450,373	-
Pollution remediation payable from restricted assets	-	-	282,986	-	-	282,986	-
Current portion long term debt	-	5,531,109	306,157	-	15,871	5,853,137	107,691
Interfund loans payable	-	66,430	139,595	-	30,721	236,746	39,993
Total current liabilities	112,954	6,217,466	1,310,002	301,948	83,029	8,025,399	419,231
Noncurrent liabilities:							
Industrial insurance claims	-	-	-	-	-	-	170,651
Compensated absences	13,347	9,019	22,767	24,997	12,712	82,842	15,291
Landfill closure payable from restricted assets	-	-	1,804,901	-	-	1,804,901	-
Landfill closure payable from unrestricted assets	-	-	475,763	-	-	475,763	-
Pollution remediation payable from unrestricted assets	-	-	3,078,064	-	-	3,078,064	-
Long term debt	-	41,520,694	4,693,945	-	277,730	46,492,369	355,957
Interfund loans payable	-	-	1,235,972	-	559,179	1,795,151	40,893
Total noncurrent liabilities	13,347	41,529,713	11,311,412	24,997	849,621	53,729,030	582,792
Total liabilities	126,301	47,747,179	12,621,414	326,945	932,650	61,754,489	1,002,023
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	20,325	50,843,293	1,785,495	76,985	2,033,668	54,759,766	6,896,008
Restricted for:							
Capital projects	-	6,970,939	469,104	-	-	7,440,043	-
Unrestricted	999,626	2,757,333	(4,580,475)	756,237	417,080	369,801	9,121,499
Total net assets	1,019,951	60,571,565	(2,305,876)	833,222	2,450,748	62,569,610	16,017,507

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.  
Net assets of business-type activities (see page 30)

12,314,477  
74,884,087

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, 2010**

	Business-type Activities - Major Enterprise Funds					Total Internal Service
	Sanitation	Water/Wastewater	Landfill	Ambulance	Other Enterprise	
Operating revenues:						
Licenses and permits	1,520	-	-	-	-	-
Intergovernmental revenues	12,117	148,685	73,106	1,220,150	399,846	1,596,489
Charges for goods and services	4,468,755	15,748,304	3,314,457	3,481,904	1,279,834	11,446
Discounts & allowances	-	-	-	(1,263,818)	-	-
Interfund Charges	-	-	-	-	-	-
Total operating revenues	4,482,392	15,896,989	3,387,563	3,438,236	1,679,680	8,051,759
Operating expenses:						
Depreciation	2,367	2,337,307	452,332	34,943	55,889	879,448
Landfill closure & post closure	-	-	177,625	-	-	-
Pollution remediation	-	-	163,880	-	-	-
Bad debt expense	122	568	327	216,260	48	-
Salaries and wages	635,955	976,838	564,221	1,532,810	187,124	1,180,612
Personnel benefits	284,983	409,545	222,030	520,293	77,399	4,796,032
Supplies	27,371	994,849	54,192	93,940	12,336	878,993
Services and charges	1,604,503	2,905,518	167,375	75,577	32,226	894,616
Intergovernmental services	525,350	2,052,921	384,046	34,389	153,856	11,304
Interfund service payments	1,437,951	2,973,478	1,198,308	915,805	322,739	456,644
Total operating expenses	4,518,602	12,651,024	3,384,336	3,424,017	841,617	9,097,649
Operating income (loss)	(36,210)	3,245,965	3,227	14,219	838,063	562,045
Nonoperating revenues (expenses):						
Taxes	-	-	-	-	-	342,780
Miscellaneous revenues	42,528	216,771	25,276	11,699	52,730	134,162
Gain (loss) on disposal of capital assets	-	(2,947)	-	-	-	(4,915)
Insurance recoveries	-	28,084	29,195	-	-	-
Adjustment to landfill liability	-	-	544,147	-	-	-
Debt service - interest	-	(1,293,885)	(198,788)	-	(39,635)	(157,872)
Total non-operating revenue (expenses)	42,528	(1,051,977)	399,830	11,699	13,095	314,155
Income (loss) before contributions and transfers	6,318	2,193,988	403,057	25,918	851,158	876,200
Capital contributions	-	340,787	-	-	5,002	-
Transfers in	-	2,131	-	-	55,353	960,063
Transfers out	(39,258)	(2,361,453)	-	-	-	-
Change in net assets	(32,940)	175,453	403,057	25,918	911,513	1,836,263
Total net assets -- begin	1,052,891	60,396,112	(2,708,933)	807,304	1,539,235	14,181,244
Total net assets -- ending	1,019,951	60,571,565	(2,305,876)	833,222	2,450,748	16,017,507

Net change in net assets - total proprietary funds 1,483,001  
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds 1,578,682  
Change in net assets of business-type activities (see page 31) 3,061,683

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, 2010**

	Business-type Activities - Major Enterprise Funds						Total Internal Service
	Sanitation	Water/Wastewater	Landfill	Ambulance	Other Enterprise	Total Enterprise	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash from customers	4,417,631	15,435,765	3,820,233	1,811,733	1,253,456	26,738,818	(68,219)
Cash from grants	12,117	148,685	73,106	1,220,150	399,846	1,853,904	1,596,489
Cash from interfund services	-	-	-	-	-	-	8,051,759
Payments to suppliers	(2,174,637)	(5,694,400)	(643,813)	(206,571)	(196,076)	(8,915,497)	(1,831,422)
Payments to employees	(930,146)	(1,406,907)	(784,571)	(2,089,609)	(261,753)	(5,472,986)	(5,827,875)
Interfund service payments	(1,437,951)	(2,973,478)	(1,198,308)	(915,805)	(322,739)	(6,848,281)	(456,644)
Payments for landfill closure	-	-	(2,331,111)	-	-	(2,331,111)	-
<b>Net cash provided by operating activities</b>	<b>(112,986)</b>	<b>5,509,665</b>	<b>(1,064,464)</b>	<b>(180,102)</b>	<b>872,734</b>	<b>5,024,847</b>	<b>1,464,088</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>							
Cash from taxes	-	-	-	-	-	-	342,780
Proceeds (repayments) from interfund loan	-	(68,466)	(1,049,712)	-	(56,780)	(1,174,958)	1,116,961
Miscellaneous	39,668	-	5,404	-	51,081	96,153	-
Transfers in	-	2,131	-	-	55,353	57,484	960,063
Transfers out	(39,258)	(2,361,453)	-	-	-	(2,400,711)	-
<b>Total cash flows from noncapital financing</b>	<b>410</b>	<b>(2,427,788)</b>	<b>(1,044,308)</b>	<b>-</b>	<b>49,654</b>	<b>(3,422,032)</b>	<b>2,419,804</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from Bonds	-	8,833,009	2,799,851	-	-	11,632,860	-
Purchase of capital assets	-	(2,076,106)	(3,721)	-	(257,087)	(2,336,914)	-
Capital contributions and purchases	-	368,870	29,195	-	5,002	403,067	(1,273,976)
Principal and interest payments	-	(5,434,803)	(324,843)	-	(28,166)	(5,787,812)	-
Proceeds from sale of capital assets	-	-	-	-	-	-	(386,440)
Landfill Closure and Post-Closure Care	-	-	544,147	-	-	544,147	-
<b>Total cash flows from capital and related financing</b>	<b>-</b>	<b>1,690,970</b>	<b>3,044,629</b>	<b>-</b>	<b>(280,251)</b>	<b>4,455,348</b>	<b>(1,660,416)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest received	2,861	216,768	18,155	11,701	1,650	251,135	21,090
<b>Total cash flows from investing</b>	<b>2,861</b>	<b>216,768</b>	<b>18,155</b>	<b>11,701</b>	<b>1,650</b>	<b>251,135</b>	<b>21,090</b>
Net increase (decrease) in cash and cash equivalents	(109,715)	4,989,615	954,012	(168,401)	643,787	6,309,298	2,244,566
Beginning cash and cash equivalents	965,793	7,805,767	2,857,292	752,792	335,435	12,717,079	3,894,854
Ending cash and cash equivalents	856,078	12,795,382	3,811,304	584,391	979,222	19,026,377	6,139,420
<b>Reconciliation of operating income(loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	(36,210)	3,245,965	3,227	14,219	838,063	4,065,264	562,045
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	2,367	2,337,307	452,332	34,943	55,889	2,882,838	879,448
Landfill closure and post-closure care	-	-	(1,989,606)	-	-	(1,989,606)	-
(Increase) decrease in accounts receivable	(52,522)	(311,971)	506,103	(190,093)	(26,330)	(74,813)	(79,665)
(Increase) decrease in inventories	-	296,333	-	-	-	296,333	(43,061)
Increase (decrease) in accounts payable	(17,413)	(37,445)	(38,200)	(2,665)	2,342	(93,381)	(3,448)
Increase (decrease) in salaries & benefits	(9,208)	(20,524)	1,680	(36,506)	2,770	(61,788)	148,769
<b>Net cash provided by operating activities</b>	<b>(112,986)</b>	<b>5,509,665</b>	<b>(1,064,464)</b>	<b>(180,102)</b>	<b>872,734</b>	<b>5,024,847</b>	<b>1,464,088</b>
<b>No noncash investing, capital, and financing activities</b>							

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, 2010

	Pension and Other employee Benefits	Agency
<b>ASSETS</b>		
Cash and equivalents	274,295	79,286
Total assets	274,295	79,286
<b>LIABILITIES</b>		
Accounts payable	1,738	3,688
Other accrued liabilities	24,005	-
Due to other governments	-	75,598
Total Liabilities	25,743	79,286
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	\$ 248,552	

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, 2010

	Pension and Other employee Benefits
<b>ADDITIONS</b>	
Contributions:	
Intergovernmental revenues	40,669
Employer contributions	831,005
Total Contributions	871,674
Investment earnings:	
Interest on investments	1,034
Total investment earnings	1,034
Net Investment Earnings	1,034
Total additions	872,708
<b>DEDUCTIONS</b>	
Personnel benefits	886,212
Services and charges	9,215
Total deductions	895,427
Change in Net Assets	(22,719)
Net Assets-- beginning of the year	271,271
Net Assets -- end of the year	\$ 248,552

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



**CITY OF WALLA WALLA**  
Notes to the Financial Statements  
December 31, 2010

**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 operations and

certain service and 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city's policy is to not allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to 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 2010.

The general construction fund accounts for financial resources related to the construction of general governmental construction and related assets. The street construction 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 contract for the City's recycling program.

The *landfill fund* accounts for activities related to waste stored at the landfill, composting operations, and the household hazardous waste disposal program.

The *water/wastewater fund* accounts for the water-treatment plant activities; wastewater treatment and disposal; as well as the distribution of water and the collection of wastewater 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, are generally 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 information in note IV.A starting on page 53.

## ***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 accounts receivable, billed special assessments, interest receivable and grants receivable. 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, 2010.

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, 2010, special assessments receivable delinquencies amounted to \$35,545.

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 at the Landfill. 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	\$ -	\$833,461
Esther Eyraud Trust	-	3,000
Sherwood Library Trust	-	13,545
Landfill closure	2,255,274	-
Pollution Remediation	282,986	-
Water/Wastewater debt service	3,036,338	-

### **5. Capital assets**

Capital assets, including 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 asset life 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	\$ 3,613,284
Construction in process	3,915,932
Buildings	7,574,350
Other improvements	3,643,915
Equipment	1,352,428
Infrastructure	22,490,463
Current year land purchase	65,962
Current year spending in construction work in progress	5,730,694
Current year capital purchases	2,730,173
Current year asset disposals	(79,816)
Current year depreciation	<u>(2,045,792)</u>
Net adjustment to add to government-wide fund balance to arrive at <i>Net assets-governmental activities</i>	<u>\$ 48,991,593</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	\$ (2,018,117)
Bonds payable	(16,897,376)
OPEB obligation	(1,110,967)
Net Pension obligation	37,819
Current year bonds issued	(1,260,000)
Premium on bonds issued (to be amortized)	(176,265)
Current year principal payments reducing debt	1,343,728
Current year compensated absences earned	(1,567,886)
Current year compensated absences used	1,757,074
Current year additions to OPEB obligation	(1,513,818)
Current year reductions to OPEB obligation	791,946
Current year additions to Net Pension obligation	(280,138)
Current year reductions to OPEB obligation	<u>183,174</u>
Net adjustment to reduce government-wide fund balance to arrive at <i>Net assets-governmental activities</i>	<u>\$(20,710,826)</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	<u>\$6,334,175</u>
Net adjustment to add to government-wide fund balance to arrive at <i>Net assets-governmental activities</i>	<u>\$6,334,175</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	\$ 65,962
Current year spending in construction work in progress	5,730,694
Current year capital purchases	2,730,170
Current year loss on disposal of capital assets	(79,816)
Depreciation expense	<u>(2,045,792)</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>\$6,401,218</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	\$ (1,260,000)
Premium on bonds issued	(61,298)
Amortization of bond premium	11,820
Debt principal retirement	<u>1,343,728</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>\$ 34,250</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	(1,567,886)
Current year compensated absences used	1,757,074
Current year additions to OPEB obligation	(1,513,818)
Current year reductions to OPEB obligation	791,946
Current year additions to Net pension obligation	(280,138)
Current year reductions to Net pension obligation	<u>183,174</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>\$(629,648)</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.

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 landfill fund had a deficit balance of \$2,305,876. This is due to the recognition of landfill closure, post-closure and pollution remediation liabilities and corresponding expenses. See note IV.G on page 62 for information on landfill closure and post-closure liability and note V.F on page 81 for information on pollution remediation liability.

#### IV. Detailed notes on all funds

##### A. Deposits & Investments

As of December 31, 2010, the government had the following:

	<u>Fair Value</u>	<u>Weighted Average Maturities (Years)</u>
Local Government Investment Pool		
Total invested cash equivalents	\$42,098,777	0.19
AIG Matching Funding Corp		
Total investments	\$3,228,987	5.71
Total fair value	\$45,327,764	
Portfolio weighted average maturity		0.59

All investments are stated at cost which approximates market value.

*Credit rating.* AIG Matching Fund Corporation investments have a Moody's rating of AAA. 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 12/31/2010 the City of Walla Walla had \$1,879,522 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 \$1,629,522. 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 not 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 \$408,010, 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 2010 was \$2.3951 per \$1,000 on a 2009 assessed valuation of \$1,941,465,273 for a total operating levy of \$4,649,972. The City's levy for 2011 was \$2.3811 per \$1,000 on a 2010 assessed valuation of \$1,989,718,123 for a total regular levy of \$4,737,642. Washington State Constitution and Washington State law, RCW 84.55.010, limits the levy rate.

*Other Receivables.* As of December 31, 2010 the City's individual major funds and non-major 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 recvbl	493,204	69,644	47,528	82,230	269,849	1,009,682	144,446	498,791	76,907	9,644	2,701,925
Accrued int	-	-	-	-	-	72,394	-	-	-	-	72,394
<b>Total</b>	<b>\$493,204</b>	<b>\$69,644</b>	<b>\$47,528</b>	<b>\$82,230</b>	<b>\$269,849</b>	<b>\$1,082,076</b>	<b>\$144,446</b>	<b>\$498,791</b>	<b>\$76,907</b>	<b>\$9,644</b>	<b>\$2,774,319</b>

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 \$249,389 at December 31, 2010 will ultimately prove uncollectible for the Ambulance Fund.

*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)	\$5,117,591	(unavailable)
Pre-paid cemetery services (general fund)	194,395	(unearned)
Property taxes (debt service fund)	1,216,584	(unavailable)
Special assessments not yet due (debt service fund)	<u>17,262</u>	(unavailable)
<b>Total governmental deferred</b>	<b><u>\$6,545,832</u></b>	

*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, 2010 was as follows:

<b>Primary Government Governmental activities</b>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	3,613,284	65,962	-	3,679,246
Construction in progress	3,915,932	5,730,694	63,120	9,583,506
<b>Total capital assets not being depreciated</b>	<b>7,529,216</b>	<b>5,796,656</b>	<b>63,120</b>	<b>13,262,752</b>
<b>Capital assets being depreciated:</b>				
Buildings	11,995,948	1,957,833	190,223	13,763,558
Improvements other than buildings	4,997,465	312,940	328,291	4,982,114
Machinery and equipment	3,016,373	240,754	145,081	3,112,046
Infrastructure	45,686,178	281,763	-	45,967,941
<b>Total depreciated capital assets</b>	<b>65,695,965</b>	<b>2,793,290</b>	<b>663,595</b>	<b>67,825,660</b>
<b>Less accumulated depreciation for:</b>				
Buildings	4,421,598	301,480	110,407	4,612,672
Improvements other than buildings	1,353,550	106,622	328,291	1,131,881
Machinery and equipment	1,663,945	252,539	145,081	1,771,404
Infrastructure	23,195,715	1,385,150	-	24,580,865
<b>Total accumulated depreciation</b>	<b>30,634,808</b>	<b>2,045,792</b>	<b>583,778</b>	<b>32,096,822</b>
<b>Capital assets being depreciated, net Governmental activities capital, net</b>	<b>35,061,156</b>	<b>747,498</b>	<b>79,816</b>	<b>35,728,838</b>
<b>Governmental activities capital, net</b>	<b>42,590,373</b>	<b>6,544,154</b>	<b>142,936</b>	<b>48,991,590</b>
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	1,221,574	-	-	1,221,574
Construction in progress	12,733,726	2,332,004	8,905,975	6,159,755
<b>Total non-depreciable assets</b>	<b>13,955,300</b>	<b>2,332,004</b>	<b>8,905,975</b>	<b>7,381,329</b>
<b>Business-type assets being depreciated:</b>				
Buildings	30,600,215	-	40,554	30,559,661
Improvements other than buildings	9,068,141	7,988	1,500,000	7,576,128
Machinery and equipment	15,206,001	989,327	529,562	15,665,766
Infrastructure	80,136,601	8,809,671	-	88,946,272
<b>Total capital assets</b>	<b>135,010,958</b>	<b>9,806,985</b>	<b>2,070,116</b>	<b>142,747,827</b>
<b>Less accumulated depreciation for:</b>				
Buildings and system	12,022,572	592,590	37,607	12,577,556
Improvements other than buildings	2,090,946	365,409	1,500,000	956,354
Machinery and equipment	10,536,652	972,837	522,966	10,986,523
Infrastructure	20,172,068	1,724,991	-	21,897,059
<b>Total accumulated depreciation</b>	<b>44,822,238</b>	<b>3,655,827</b>	<b>2,060,574</b>	<b>46,417,491</b>
<b>Capital assets being depreciated, net Business-type activities capital, net</b>	<b>90,188,720</b>	<b>6,151,158</b>	<b>9,542</b>	<b>96,330,336</b>
<b>Business-type activities capital, net</b>	<b>104,144,020</b>	<b>8,483,162</b>	<b>8,915,517</b>	<b>103,711,665</b>

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

**Governmental activities:**

General government	236,391
Security of persons and property	209,265
Physical environment	4,078
Transportation	1,388,628
Economic environment	1,565
Culture & recreational environment	205,864
Total depreciation expense - governmental activities	<u><u>\$2,045,792</u></u>

**Business-type activities:**

Golf Course	45,501
Sanitation	2,367
Water	916,154
Stormwater	10,388
Wastewater	1,421,153
Landfill	452,332
Ambulance	34,943
Fleet Services	4,835
Vehicle Replacement Fund	768,153
Total depreciation expense - business-type activities	<u><u>\$3,655,827</u></u>

**Construction Commitments**

The City has active construction projects as of December 31, 2010.

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

	<u>Project</u>		<u>PO Amount</u>
	<u>Commitment</u>	<u>Spent to Date</u>	<u>Remaining</u>
General construction	6,938,875	938,397	6,000,478
Street construction	2,935,401	2,590,353	345,048
Water construction	1,444,859	1,428,008	16,851
Wastewater construction	2,307,961	2,282,948	25,013
Stormwater construction	787,126	784,549	2,577
Landfill construction	1,526,884	1,483,143	43,741
Total	<u><u>15,941,106</u></u>	<u><u>9,507,398</u></u>	<u><u>6,433,708</u></u>

## D. Interfund loans receivable, payable and transfers

The composition of interfund loan balances as of December 31, 2010 is as follows:

<b>Interfund Loans Payable</b>								
Loan Purpose	Due in More than One Year	General Outstanding	Non-major Spec Rev Outstanding	Street Construction Outstanding	Landfill Outstanding	Water / Wastewater Outstanding	Non-major Enterprise Outstanding	Internal Service Outstanding
<i>Internal service funds</i>								
Driving Range	128,041	-	-	-	-	-	136,625	-
Phone System	-	34,718	-	-	-	-	-	-
LED Stoplights	193,422	-	227,759	-	-	-	-	-
Irrigation System	431,138	-	-	-	-	-	453,275	-
Landfill Area 7	1,235,972	-	-	-	1,375,567	-	-	-
Abadie Street Improve	-	-	-	680,000	-	66,430	-	-
Service Center	40,893	-	-	-	-	-	-	80,887
Street Light Retrofit	211,251	-	228,000	-	-	-	-	-
<b>Total IF loans Receivable:</b>	<b>\$2,240,717</b>	<b>\$34,718</b>	<b>\$455,759</b>	<b>\$680,000</b>	<b>\$1,375,567</b>	<b>\$66,430</b>	<b>\$589,900</b>	<b>\$80,887</b>

Transfers between funds during the year ended December 31, 2010 are as follows:

<b>Transfers From:</b>							
Transfers To:	Major Gov't General	Major Gov't Street CIP	Major Gov't General CIP	Total Non-major Gov't	Major Enterprise Water / Wastewater	Major Enterprise Sanitation	Total Transfers To:
General Fund	-	46,551	49,777	50,303	-	-	146,631
Street CIP	(1,150)	-	-	29,317	2,306,100	-	2,334,267
General CIP	36,200	-	-	-	-	-	36,200
Non-Major Gov't	613,672	10,840	-	260,586	-	-	885,098
Water/Wastewater	-	2,131	-	-	-	-	2,131
Non-Major Enterprise	-	-	-	-	55,353	-	55,353
Internal Services	850,000	-	-	70,805	-	39,258	960,063
<b>Total Transfers From:</b>	<b>1,498,722</b>	<b>59,522</b>	<b>49,777</b>	<b>411,011</b>	<b>2,361,453</b>	<b>39,258</b>	<b>4,419,743</b>

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 the Whitman College Baker Ferguson Center Swimming Pool for swimming lessons and summer swim team. Total cost for the Swimming Pool lease was \$2,500 for the year ended December 31, 2010. The City also leases building space from Walla Walla County for its emergency communications operations under a cancelable operating lease. Total cost for the lease was \$10,000 for the year ended December 31, 2010. Emergency communications pays an annual lease for various tower sites; these leases totaled \$10,700 for 2010.

## F. Long-term Debt

### Governmental Type Debt

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. Standard and Poor's has assigned the following ratings for the city: Limited Tax General Obligation – A+ as of May 2010; Unlimited Tax General Obligation Bonds – A+ as of November 2009; Moody's Investors Service has assigned the following ratings for the city: Limited Tax General Obligation Bonds – A1 as of April 2010; Unlimited Tax General Obligation Bonds – Aa3 as of April 2010.

This year the City issued general obligation bonds totaling \$12,170,000. Of this total, \$10,910,000 will be utilized and repaid by the enterprise funds (business type debt). The remaining \$1,260,000 is governmental activity debt, of which a portion is refunding debt, identified below.

### Refunded Debt

The City issued \$415,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources to reduce its debt service on the 2001 general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next five years by \$17,486.

Title	Purpose	Interest Rate	Original	Outstanding
1996 GO Bonds - Series A	Development Center	3.80%-5.60%	1,275,000	0
1996 GO Bonds - Deferred Series B	Development Center	5.30%-6.25%	1,291,550	463,648
2001 Refunding GO bonds	Public Parking Improvements	3.50%-4.65%	2,320,000	130,000
2004 GO bond - Fire station	Fire Station Improvements	2.50%-4.10%	4,500,000	3,460,000
2005 GO bond-Street Construction	Isaacs Street Construction	3.125%-4.5%	300,000	240,000
2009 GO bond-Police Station	Police Station	3.25%-4.375%	11,595,000	11,260,000
2010 GO & Refunding Bond Series	Refund 01, Equip Purchase	3.00%-5.00%	1,260,000	1,260,000
Total General Obligation Bonds			\$22,541,550	\$16,813,648

The annual debt service requirements to maturity are as follows:

Year Ending 12/31/2010	Governmental Activities	
	Interest	Principal
2011	787,457	860,664
2012	769,134	854,587
2013	753,076	876,478

2014	730,973	910,307
2015	702,511	932,964
2016-2020	2,140,694	4,305,945
2021-2025	1,263,837	4,667,703
2026-2030	379,100	3,405,000
<b>Total</b>	<b>\$7,526,782</b>	<b>\$16,813,648</b>

### Business Type Debt

The City issues revenue bonds to finance the acquisition and construction of major capital facilities. The revenue bonds are being repaid by proprietary fund revenues. As general obligation bond proceeds used by the Golf Course, Landfill, Water/Wastewater activities are expected to be repaid by the revenues generated by those enterprise activities, they have been included as revenue bonds in the Business Type Debt. Standard and Poor's has assigned the following ratings for the city: Revenue Bonds – A+ as of November 2008.

The City also issues bonds where the government pledges 100% of the revenues of the Water/Wastewater fund. Total Water/Wastewater pledged revenues in 2010 were \$7,387,146 and total debt service collateralized was \$5,412,276.

<b>Title</b>	<b>Purpose</b>	<b>Interest Rate</b>	<b>Original</b>	<b>Outstanding</b>
Water/Wastewater Revenue Bond 2002	Capital construction	3.00%-4.25%	11,720,000	4,450,000
Water/Wastewater Revenue Bond 2005	Capital construction	3.00%-4.25%	12,595,000	11,935,000
Landfill Revenue Bond 2005	Capital construction	3.13%	3,073,000	2,171,400
Golf Course Revenue Bond 2005	Capital construction	3.13%	367,000	293,600
Water/Wastewater/Landfill 2010 Bond	Capital construction	3.00%-5.00%	10,910,000	10,910,000
97-78897-038 Loan Water	Capital construction	1.00%	1,030,000	433,683
L9900019A Loan Wastewater	Capital construction	4.10%	14,220,127	8,153,064
PW-99-791-038 Loan Wastewater	Capital construction	1.00%	7,000,000	3,356,086
PW-02-691-060 Loan Wastewater	Capital construction	0.50%	5,159,197	3,338,091
PW-06-962-PRE-103 Loan Wastewater	Capital construction	1.00%	531,399	447,494
PW-07-962-018 Loan Wastewater	Capital construction	1.00%	6,823,104	6,120,246
<b>Total Revenue Bonds &amp; Notes</b>			<b>\$73,428,827</b>	<b>\$51,608,664</b>

The annual debt service requirements to maturity are as follows:

<b>Year Ending</b>	<b>Business-Type Activities</b>	
	<b>Interest</b>	<b>Principal</b>
12/31/2010		
2011	1,637,180	5,853,136
2012	1,446,408	6,221,248
2013	1,241,991	6,107,213
2014	1,021,669	5,784,460
2015	816,040	6,738,043
2016-2020	1,524,202	15,938,007
2021-2025	355,914	3,468,560
2026-2030	87,243	1,497,997
<b>Total</b>	<b>\$8,130,647</b>	<b>\$51,608,664</b>

### 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, 2010, was as follows:

Governmental Activities	Beginning			Ending	Due
	Balance			Balance	Within
	1/1/2010	Additions	Reductions	12/31/2010	One Year
General Obligation Bonds:					
1996 GO bonds - Series A	115,000	-	115,000	-	-
1996 GO bonds - Deferred Series B	579,403	-	115,755	463,648	107,691
2001 Refunding GO bonds	690,000	-	560,000	130,000	130,000
2004 GO bond - Fire station	3,665,000	-	205,000	3,460,000	210,000
2005 GO bond-Street Construction	252,973	-	12,973	240,000	12,973
2009 GO bond-Police Station	11,595,000	-	335,000	11,260,000	355,000
2009 GO bond Premiums	126,787	-	6,339	120,448	6,339
2010 GO & Refunding Bond Series	-	1,260,000	-	1,260,000	45,000
2010 GO bond Premiums	-	61,298	5,481	55,817	9,396
<b>Total General Obligation Bonds:</b>	<b>17,024,163</b>	<b>1,321,298</b>	<b>1,355,548</b>	<b>16,989,913</b>	<b>876,399</b>
Compensated absences	2,018,117	1,567,886	1,757,074	1,828,929	1,488,084
Workers' compensation claims	63,672	201,115	68,546	196,241	25,590
Net Pension Obligation	(37,819)	280,138	183,174	59,145	-
Net OPEB obligation	1,110,967	1,513,818	791,946	1,832,839	-
<b>Total Governmental Activities:</b>	<b>20,179,100</b>	<b>4,884,255</b>	<b>4,156,288</b>	<b>20,907,067</b>	<b>2,390,073</b>

Business Activities	Beginning			Ending	Due
	Balance			Balance	Within
	1/1/2010	Additions	Reductions	12/31/2010	One Year
Bond Payments					
Water Bond 2002	5,805,000	-	1,830,000	3,975,000	1,920,000
Water Bond 2005	10,945,000	-	70,000	10,875,000	75,000
Water Bond 2010	-	3,890,400	-	3,890,400	648,000
Total Water	16,750,000	3,890,400	1,900,000	18,740,400	2,643,000
WW Bond 2002	705,000	-	230,000	475,000	240,000
WW Bond 2005	1,195,000	-	135,000	1,060,000	135,000
WW Bond 2010	-	4,214,600	-	4,214,600	702,000
Total Wastewater	1,900,000	4,214,600	365,000	5,749,600	1,077,000
Landfill Bond 2005	2,362,557	-	191,157	2,171,400	201,157
Landfill Bond 2010	-	2,805,000	-	2,805,000	105,000
Total Landfill	2,362,557	2,805,000	191,157	4,976,400	306,157
Golf Course Bond 2005	309,470	-	15,870	293,600	15,870
2010 bond Premiums	-	822,181	85,341	736,840	146,298
<b>Total Bonds:</b>	<b>21,322,027</b>	<b>11,732,181</b>	<b>2,557,368</b>	<b>30,496,840</b>	<b>4,188,325</b>

**External Loan Payments***Water*

97-78897-038	487,894	-	54,211	433,683	54,211
--------------	---------	---	--------	---------	--------

*Wastewater*

L9900019A	8,842,357	-	689,293	8,153,064	717,843
-----------	-----------	---	---------	-----------	---------

PW-99-791-038	3,728,984	-	372,898	3,356,086	372,898
---------------	-----------	---	---------	-----------	---------

PW-02-691-060	3,616,265	-	278,174	3,338,091	278,174
---------------	-----------	---	---------	-----------	---------

PW-06-962-PRE-103	475,463	-	27,968	447,495	27,968
-------------------	---------	---	--------	---------	--------

PW-07-962-018	6,480,260	-	360,014	6,120,246	360,014
---------------	-----------	---	---------	-----------	---------

<b>Total External Loans:</b>	<b>23,631,223</b>	<b>-</b>	<b>1,782,559</b>	<b>21,848,664</b>	<b>1,811,109</b>
------------------------------	-------------------	----------	------------------	-------------------	------------------

Landfill Closure	4,839,966	177,625	2,286,554	2,731,037	450,373
------------------	-----------	---------	-----------	-----------	---------

Pollution Remediation	3,241,727	163,879	44,556	3,361,050	282,986
-----------------------	-----------	---------	--------	-----------	---------

Compensated Absences	564,556	393,627	451,572	506,611	418,879
----------------------	---------	---------	---------	---------	---------

<b>Grand Total Business Activity:</b>	<b>53,599,499</b>	<b>12,467,312</b>	<b>7,122,608</b>	<b>58,944,203</b>	<b>7,151,672</b>
---------------------------------------	-------------------	-------------------	------------------	-------------------	------------------

**G. Landfill closure and post-closure**

*Background:* The City of Walla Walla owns the regional municipal landfills. The Sudbury Landfill is 850 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 39 years while the total land set aside by the City for the landfill has an estimated remaining life of 850 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. The adjacent Burdine site has been permitted as an inert waste disposal site for materials from the 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 20 acres and was closed in 2010. Area 7 is the current designated landfill area with a total of 4 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 2 began in 2007 and was completed in 2009. Once the Area 6 capacity was reached, the City was required by State and Federal laws and regulations to cover that area and perform maintenance as well as monitoring functions at the site for thirty years following closure.

*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, 2010, 100% of the landfill's total capacity of Area 6 has been consumed. The latest designs for area 7 cells 1 and 2 indicate approximately 32% of the existing lined area has been filled as of December 31, 2010 based on survey performed by USKH in April 2010 and landfill tipping records for 2010.

The City's closure and post-closure operations plan for 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. Area 6 was closed in 2010 with five feet of soil cover, a gas collection system, and a landfill flare. 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 that 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. Due to the closure of area 6, the total long term closure and post-closure costs for Area 7 and joint portion (“V”) of Area 6 and Area 7 are estimated in current dollars at \$2,280,664. As of December 31, 2010, cash of \$2,255,274 has been accumulated and set aside for estimated closure and post-closure costs. The financial assurance plan for the city is currently being updated. Requirements for the closure and post-closure costs will be met through rate revenues and the potential for grant funding.

As part of 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 145 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.

Matrix Absence Management, 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 \$1,496,134 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 Matrix Absence Management 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, 2010 is \$ 196,241 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 2010 was \$284,375. 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 12/31/09	Year ended 12/31/10
Unpaid claims, beginning of fiscal year	111,719	63,672
Incurred claims (including IBNRs)	26,985	201,115
Changes in estimate for claims, prior period	(24,067)	(36,596)
Payments on claims	(50,965)	(31,950)
Unpaid claims, end of fiscal year	<u>63,672</u>	<u>196,241</u>

## **B. Related organization**

The City's relationship with the Housing Authority of Walla Walla qualifies as a related organization under GASB 14. 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](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements 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.

In addition, the City of Walla Walla requested Milliman Inc. to perform an Actuarial Valuation of the City's Firefighters' Pension Fund effective January 1, 2010. For more details on the contents of the report please see "Local Governments Pension Trust Funds" and "Other Post Employment Benefits" sections below. A copy of this report can be obtained from the City Clerk's office.

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

#### **Plan Description**

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

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

PERS members 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 members 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 Chapters 41.34 and 41.40 RCW 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 monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly 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 retiring 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 3 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 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, 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 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom.

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 monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS 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 for normal retirement at age 65, or they may retire early with the following conditions and benefits:

If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, 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. PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

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 Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and 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 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

*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 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent 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 percent 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 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	53,896
	<hr/>
	Total 262,166
	<hr/>

**Funding Policy**

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 percent 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, 2010, are as follows:

Members not participating in JBM:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
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:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
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 required contributions for the years ended December 31 were as follows:

<b>Year</b>	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2010	\$16,059	\$461,152	\$58,616
2009	\$28,144	\$600,518	\$68,106
2008	\$37,794	\$595,856	\$54,644

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

The current Actuarial Valuation of Firefighters’ Pension Fund for the City of Walla Walla was provided by Milliman Inc. effective January 1, 2010. For more details on the contents of the report please see “Local Governments Pension Trust Funds” and “Other Post Employment Benefits” sections below. A copy of this report can be obtained from the City Clerk’s office.

**Plan Description**

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members 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 commissioned officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 memberships. 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 Chapter 41.26 RCW and may be amended only 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:

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
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 (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

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 2 percent of the FAS per year of service. (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 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, 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 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Non-vested	3,944
	<hr/>
	Total 27,435

### **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, 2010, are as follows:

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
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 8.62%.

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:

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
2010	\$559	\$388,836
2009	\$580	\$375,988
2008	\$724	\$359,544

### **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, 2010 there are 17 years remaining. The current Actuarial Valuation of Firefighters' Pension Fund for the City of Walla Walla was provided by Milliman Inc. effective January 1, 2010. A copy of this report can be obtained from the City Clerk's office.

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  
January 1, 2010\***

Firefighters Retired	15
Firefighters Disabled in the Line of Duty	13
Firefighters Disabled Not in the Line of Duty	5
Survivors of Firefighters	<u>8</u>
<b>Total covered individuals</b>	<b>41</b>

\*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. The fire insurance premium tax is a dedicated source of revenue as authorized by RCW 41.16.050 and amounted to \$40,669 in 2010. The City's general fund and Ambulance funds contributed \$131,015 and \$11,490, respectively, in 2010. Interest from pooled cash and investments provides minimal income and was \$590 in 2010.

Funding status and progress

The Firefighter's pension fund has been operating on a pay-as-you-go basis. Actuarial valuation of the fund is performed every two years, with the most recent valuation being performed on January 1, 2010. 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 Annual Required Contribution (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:

- 4.0 % return on present and future assets
- 3.5 % per year salary inflation
- CPI increases of 2.5 % 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
January 1, 2010	\$166	\$3,695	\$3,529	4%	\$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%
December 31, 2010	\$142,505	\$40,669	\$183,174	\$278,778	66%

## Annual Pension Cost and Net Pension Obligation

	Fiscal Year Ending 12/31/2010
Annual required contribution (ARC)	
1. Annual Normal Cost-beginning of year	-
2. Amortization of UAAL-beginning of year	268,056
3. Interest to end of year	<u>10,722</u>
4. ARC at end of year	278,778
5. Interest on NPO	(1,513)
6. Adjustment to ARC	(2,873)
7. Annual pension cost	280,138
8. Employer Contributions	<u>(183,174)</u>
9. Change in NPO	96,964
10. NPO at beginning of year	<u>(37,819)</u>
11. NPO at end of year	\$ 59,145

### Trend information\*

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2008	296,674	100%	-
December 31, 2009	296,674	113%	(37,819)
December 31, 2010	278,778	66%	59,145

\*2008 is the first year data are available.

## Annual Development of Pension Cost

Fiscal Year Ending	Arc at EOY	Interest on NPO	Arc Adjust	Annual Pension Cost (APC)	Total Employer Contributions	Change in NPO	NPO Balance	(Gain)/ Loss	Amort. Factor @ 20 years	Amort. Of (Gain)/ Loss	Ending Balance
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)	12.6896	-	(37,819)
12/31/2010	278,778	(1,513)	(2,873)	280,138	183,174	96,965	59,145	95,605	13.1657	(2,873)	59,145

### 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. For GASB purposes, the ARC must be calculated based on certain parameters required for disclosure purposes. We have used the Entry Age Normal Cost Method, one of the acceptable actuarial funding methods under these parameters. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Accrued Liability. The Health Plan does not issue a separate stand-alone financial report. The current Actuarial Valuation of Firefighters' Pension Fund for the City of Walla Walla was provided by Milliman Inc. effective January 1, 2010. A copy of this report can be obtained from the City Clerk's office. The plan covers 65 employees of which four are active employees and the remaining 61 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 2010, 2009, and 2008 were \$688,500, \$678,010, and \$723,380 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 twenty 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, 2010:

Annual Normal Cost	\$29,503
Amortization of unfunded actuarial accrued liability	1,434,321
Annual Required Contribution	1,463,824
Interest on net OPEB obligation	49,994
Adjustment to ARC	(103,446)
Annual OPEB cost (expense)	1,410,372
Employer contributions	(688,500)
Change in net OPEB obligation	721,872
Net OPEB obligation - beginning of year	1,110,967
Net OPEB obligation - end of year	\$1,832,839

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
12/31/2010	1,410,372	48.8%	1,832,839

#### Funded Status and Funding Progress

The funded status of the Health Plan as of December 31, 2010 is shown below:

Actuarial accrued liability (AAL)	15,403,960
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	15,403,960
Funded ratio (actuarial value of plan assets ÷ AAL)	0.0%
Covered payroll	411,735
UAAL as a percentage of covered payroll	3741%

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 actuarial assumptions identified in the City's current Actuarial Valuation of Firefighters' Pension Fund are intended to estimate the future experience of its members. The turnover assumptions were based on the 2001-2006 Experience Study for the Law Enforcement Officers' and Firefighter's Retirement System prepared by the Office of the State Actuary. Any variations in future experience from that expected under these assumptions will result in corresponding changes in the estimated costs of the System's benefits. Since our last valuation, the economic assumptions have changed.

The investment return assumption has dropped 1.0% and CPI and salary escalation assumptions have each dropped 0.5%. In addition, the demographic assumptions, including the mortality table have been updated to match the Office of the State Actuary's most recent experience study for the LEOFF system. We are using the Entry Age Normal Cost Method. This funding method meets the parameters required for GASB disclosure purposes. The firefighters' pension fund is a closed group. No new members are permitted. The UAAL is amortized over a closed 20 year period as of January 1, 2008. The future investment earnings of the assets of the City's Firefighters' Pension Fund are assumed to accrue at an annual rate of 4.0%. Salaries are assumed to increase at the rate of 3.5% per annum. This assumption is for future inflation increases only. The CPI was assumed to increase at the rate of 2.5% per annum.

**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%	539,280	3031%
12/31/2009	-	15,575,359	15,575,359	0.0%	481,332	3236%
12/31/2010	-	15,403,960	15,403,960	0.0%	411,735	3741%

**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, 2010**

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other employee Benefits
<b>ASSETS</b>			
Cash and equivalents	\$ 197,591	\$ 76,704	\$ 74,295
Total assets	<u>197,591</u>	<u>76,704</u>	<u>274,295</u>
<b>LIABILITIES</b>			
Accounts payable	1,738	-	1,738
Other accrued liabilities	-	24,005	24,005
Total Liabilities	<u>1,738</u>	<u>24,005</u>	<u>25,743</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$ 195,853</u>	<u>\$ 52,699</u>	<u>\$ 248,552</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, 2010**

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other employee Benefits
<b>ADDITIONS</b>			
Contributions:			
Intergovernmental revenues	-	40,669	40,669
Employer contributions	688,500	142,505	831,005
Total Contributions	688,500	183,174	871,674
Investment earnings:			
Interest on investments	444	590	1,034
Total investment earnings	444	590	1,034
Net Investment Earnings	444	590	1,034
Total additions	688,944	183,764	872,708
<b>DEDUCTIONS</b>			
Personnel benefits	598,080	288,132	886,212
Total deductions	598,770	296,657	895,427
Change in Net Assets	90,174	(112,893)	(22,719)
Net Assets-- beginning of the year	105,679	165,592	271,271
Net Assets -- end of the year	\$ 195,853	\$ 52,699	\$ 248,552

### 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 Bank 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. As of July 01, 2002, employees may participate up to 3% with a corresponding city match. 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

The City of Walla Walla Finance Division entered prior period adjustments affecting 2010 beginning fund balances as follows:

- Fixed assets prior period adjustments were a result of reviewing the governmental street infrastructure assets. We determine that assets acquired in 2008 and 2009 did not meet the City's requirement for capitalization. The activities that occurred were for street maintenance activities, per the City's policy these items should be incurred as maintenance expense.

- After a thorough review to the Cemetery Endowment Care fund, we discovered that the reserved endowment principal had received excessive amount of cash in previous years. The adjustment decreased reserved cash and increase regular cash, the net effect is zero.
- During year end activities, we found a system error in the accounting of unclaimed properties. The discrepancy was caused by a check originally written in 2004. The voided record was posted back to 2004, while the reissued check payable to the State Department of Revenue was written in 2009. Thus, the vouchers payable account did not balance at 2010 year end. In order to correct the error and reflect accurate fund balance, the appropriate adjusting/closing entry was posted to 2004. Although the amount is immaterial, the issue has been resolved and such activity will not occur again.

### Prior Period Adjustments

	Governmental Activities	Business-type Activities
<b>Fixed Assets</b>		
Assets – Infrastructure	(553,882)	-
Accumulated depreciation	34,566	-
Net Effect on Beginning	(519,316)	-
<b>Cemetery Endowment Care</b>		
Reserved Principal	(12,102)	-
Cash	12,102	-
Net Effect on Beginning	-	-
<b>Miscellaneous</b>		
General Fund	(30)	-
Net Effect on Beginning	(30)	-
<b>Total Net Effect on Beginning</b>	<b>\$ (519,346)</b>	<b>\$ -</b>

#### E. Accounting and Reporting Changes

GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets* became effective for fiscal periods beginning after June 15, 2009. GASB 51 establishes standards for intangible assets. Intangible asset possess all of the following characteristics: lack of physical substance, nonfinancial in nature, and initial life that extends beyond a single reporting period. Examples of intangible assets include easements, water rights, timber rights, patents, and trademarks. The City of Walla Walla has numerous intangible assets. However, under the guidelines of the GASB 51 implementation guide, none of these meets the requirements for retroactive reporting.

The City's listing of water rights and timber rights are bundled with the property assets, already recorded in the capital assets. These rights are associated with the City owned land. Since the property is already reflected in the financial statements in accordance with the City Capital Asset Policy, separate assets for the intangible water and timber rights are not applicable.

The City's listing of easements doesn't meet the criteria of the City Capital Asset Policy or the requirements for retroactive reporting for GASB 51. The majority of the easement records are perpetual in nature. The few that are not indefinite are far below the \$30,000 capital asset threshold level. Separate assets for the intangible easement rights are not applicable.

#### **F. 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 \$3,361,050 liability in its Landfill Enterprise Fund for its estimated liability due to its standing as a potentially responsible party in groundwater contamination at 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 and insurance proceeds with the potential for grant funding and third party contributions.

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. The scope of any remedial action and the City's associated requirements has not yet been determined. Therefore, the associated pollution remediation liability, if any, for either the Tausick Way Landfill or the Burdine property cannot be reasonably estimated.

#### **G. Contingencies and Litigations**

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

The widow of a former City employee in its Water Distribution Division who died from mesothelioma, has filed a worker's compensation claim of related alleged exposure to asbestos. The City has disputed the claim. The City may be liable for up to \$400,000 from its Water Fund. Liability above \$400,000 would be covered by the City's stop-loss insurance.

A former employee terminated for cause submitted a public disclosure request, and although the City is working diligently to review over 60,000 potential records to fulfill that request, the requestor has filed an action against the City under Washington's public records act claiming that the time needed for the City to review the records is unreasonable. The City disputes the action and is defending against it. The City could, however, be held responsible for undetermined costs, attorney's fees, and costs if its defense is unsuccessful. The estimated maximum exposure is \$38,000.

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.

# NONMAJOR GOVERNMENT FUNDS

## Special Revenue Funds

---

Special Revenue Funds are used to account for specific revenues that are legally 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 Project 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.

## Permanent 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, 2010

	Special Revenue	Debt Service	Capital Project	Permanent	Other Governmental
<b>ASSETS</b>					
Cash and equivalents	1,680,690	180,073	54,990	18,087	1,933,840
Restricted cash & cash equivalents	-	-	-	850,006	850,006
Taxes receivables (net)	-	1,216,584	-	-	1,216,584
Other receivables (net)	40,993	5,533	-	1,003	47,529
Special assessments receivable	-	52,807	-	-	52,807
Notes receivable	43,664	-	-	-	43,664
Total assets	<u>\$ 1,765,347</u>	<u>\$ 1,454,997</u>	<u>\$ 54,990</u>	<u>\$ 869,096</u>	<u>\$ 4,144,430</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	15,641	-	-	-	15,641
Other accrued liabilities	31,754	-	-	-	31,754
Interfund loans payable	455,759	-	-	-	455,759
Deferred revenues	-	1,233,846	-	-	1,233,846
Total liabilities	<u>503,154</u>	<u>1,233,846</u>	<u>-</u>	<u>-</u>	<u>1,737,000</u>
Fund balances:					
Reserved for					
Endowment Principal	-	-	-	850,006	850,006
Unreserved, reported in:					
Special Revenue	1,262,193	-	-	-	1,262,193
Debt Service	-	221,151	-	-	221,151
Capital Projects	-	-	54,990	-	54,990
Permanent Fund	-	-	-	19,090	19,090
Total fund balances	<u>1,262,193</u>	<u>221,151</u>	<u>54,990</u>	<u>869,096</u>	<u>2,407,430</u>
Total liabilities and fund balances	<u>\$ 1,765,347</u>	<u>\$ 1,454,997</u>	<u>\$ 54,990</u>	<u>\$ 869,096</u>	<u>\$ 4,144,430</u>

**City of Walla Walla**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2010**

	Special Revenue	Debt Service	Capital Project	Permanent	Other Governmental
<b>REVENUES</b>					
Taxes	806,415	1,096,108	-	-	1,902,523
Licenses and permits	188,611	-	-	-	188,611
Intergovernmental revenues	961,665	-	-	-	961,665
Charges for goods and services	336,011	-	-	17,284	353,295
Fines and forfeitures	4,900	-	-	-	4,900
Miscellaneous revenues	60,862	16,753	176	2,425	80,216
Total revenues	<u>2,358,464</u>	<u>1,112,861</u>	<u>176</u>	<u>19,709</u>	<u>3,491,210</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	35,418	-	1,611	-	37,029
Utilities and environment	1,258	-	-	-	1,258
Transportation	1,527,401	-	-	-	1,527,401
Economic environment	268,373	-	-	-	268,373
Culture and recreation	575,382	-	-	-	575,382
Debt service:					
Principal Retirement	-	682,973	-	-	682,973
Interest	17,579	636,435	-	-	654,014
Administrative charges	-	1,560	-	-	1,560
Capital outlay:					
Public safety	8,780	-	-	-	8,780
Total expenditures	<u>2,434,191</u>	<u>1,320,968</u>	<u>1,611</u>	<u>-</u>	<u>3,756,770</u>
Excess (deficiency) of revenues over expenditures	<u>(75,727)</u>	<u>(208,107)</u>	<u>(1,435)</u>	<u>19,709</u>	<u>(265,560)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	629,557	243,162	379	12,000	885,098
Transfers out	(336,753)	-	(48,257)	(26,000)	(411,010)
Insurance Recoveries	23,262	-	-	-	23,262
Total other financing sources and uses	<u>316,066</u>	<u>243,162</u>	<u>(47,878)</u>	<u>(14,000)</u>	<u>497,350</u>
Net Change in fund balances	<u>240,339</u>	<u>35,055</u>	<u>(49,313)</u>	<u>5,709</u>	<u>231,790</u>
Fund balances -- beginning	1,021,854	186,096	104,303	863,387	2,175,640
Fund balances -- ending	<u>\$ 1,262,193</u>	<u>\$ 221,151</u>	<u>\$ 54,990</u>	<u>\$ 869,096</u>	<u>\$ 2,407,430</u>

City of Walla Walla  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 December 31, 2010

	Streets	Capital Improvement	Housing Development	Hotel/Motel Tax	Tourism Promotion	UDAG	Drug Fund	Community Development	Code Enforcement	Total Special Revenue
<b>ASSETS</b>										
Cash and equivalents	523,110	15,211	193,268	128,839	18,382	135,665	412,910	7,526	245,779	1,680,690
Other receivables (net)	38,448	-	-	-	-	-	-	-	2,545	40,993
Notes receivable	-	-	-	-	-	43,664	-	-	-	43,664
Total assets	\$ 561,558	\$ 15,211	\$ 193,268	\$ 128,839	\$ 18,382	\$ 179,329	\$ 412,910	\$ 7,526	\$ 248,324	\$ 1,765,347
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	-	-	-	15,000	-	-	641	-	-	15,641
Other accrued liabilities	31,754	-	-	-	-	-	-	-	-	31,754
Interfund loans payable	455,759	-	-	-	-	-	-	-	-	455,759
Total liabilities	487,513	-	-	15,000	-	-	641	-	-	503,154
Fund Balances:										
Unreserved, reported in										
Special Revenue	74,045	15,211	193,268	113,839	18,382	179,329	412,269	7,526	248,324	1,262,193
Total fund balances	74,045	15,211	193,268	113,839	18,382	179,329	412,269	7,526	248,324	1,262,193
Total liabilities and fund balances	\$ 561,558	\$ 15,211	\$ 193,268	\$ 128,839	\$ 18,382	\$ 179,329	\$ 412,910	\$ 7,526	\$ 248,324	\$ 1,765,347

City of Walla Walla  
**Combining Statement of Revenues, Expenses and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2010**

	Streets	Capital Improvement	Housing Development	Hotel/Motel Tax	Tourism Promotion	UDAG	Drug Fund	Community Development	Code Enforcement	Total Special Revenue
<b>REVENUES</b>										
Taxes	-	188,777	-	599,260	18,378	-	-	-	-	806,415
Licenses and permits	188,611	-	-	-	-	-	-	-	-	188,611
Intergovernmental revenues	684,965	-	268,000	-	-	-	9,000	-	-	961,665
Charges for goods and services	336,011	-	-	-	-	-	-	-	-	336,011
Fines and forfeitures	-	-	-	-	-	-	4,900	-	-	4,900
Miscellaneous revenues	3,023	368	13,505	379	4	2,038	40,819	22	714	60,862
Total revenues	1,212,310	189,135	281,505	599,639	18,382	2,038	54,719	22	714	2,358,464
<b>EXPENDITURES</b>										
Current:										
Public safety	-	-	-	-	-	-	35,418	-	-	35,418
Utilities and environment	-	-	-	-	-	-	-	-	1,258	1,258
Transportation	1,527,401	-	-	-	-	-	-	-	-	1,527,401
Economic environment	-	-	268,373	-	-	-	-	-	-	268,373
Culture and recreation	-	-	-	575,382	-	-	-	-	-	575,382
Debt service:										
Interest	17,579	-	-	-	-	-	-	-	-	17,579
Capital Outlay:										
Public safety	-	-	-	-	-	-	8,780	-	-	8,780
Total expenditures	1,544,980	-	268,373	575,382	-	-	44,198	-	1,258	2,434,191
Excess (deficiency) of revenues over expenditures	(332,670)	189,135	13,132	24,257	18,382	2,038	10,521	22	(544)	(75,727)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	629,557	-	-	-	-	-	-	-	-	629,557
Transfers out	(29,317)	(227,618)	-	(24,090)	-	(55,728)	-	-	-	(336,753)
Insurance Recoveries	23,262	-	-	-	-	-	-	-	-	23,262
Total other financing sources and uses	623,502	(227,618)	-	(24,090)	-	(55,728)	-	-	-	316,066
Net change in fund balances	290,832	(38,483)	13,132	167	18,382	(53,690)	10,521	22	(544)	240,339
Fund balance - beginning	(216,787)	53,694	180,136	113,672	-	233,019	401,748	7,504	248,868	1,021,854
Fund balance - ending	\$ 74,045	\$ 15,211	\$ 193,268	\$ 113,839	\$ 18,382	\$ 179,329	\$ 412,269	\$ 7,526	\$ 248,324	\$ 1,262,193

City of Walla Walla  
 Combining Balance Sheet  
 Nonmajor Debt Service Funds  
 December 31, 2010

	L.T.G.O Bond	LID 765- Downtown Revitalization	CLID #2	LID Guarantee	Total Nonmajor Debt Service
<b>ASSETS</b>					
Cash and equivalents	65,694	66,673	44,362	3,344	180,073
Taxes receivables	1,216,584	-	-	-	1,216,584
Other receivables (net)	5,533	-	-	-	5,533
Special assessments receivable	-	-	52,807	-	52,807
Total assets	<u>\$ 1,287,811</u>	<u>\$ 66,673</u>	<u>\$ 97,169</u>	<u>\$ 3,344</u>	<u>\$ 1,454,997</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Deferred revenues	1,216,584	-	17,262	-	1,233,846
Total liabilities	<u>1,216,584</u>	<u>-</u>	<u>17,262</u>	<u>-</u>	<u>1,233,846</u>
Fund balances:					
Unreserved, reported in					
Debt Service	71,227	66,673	79,907	3,344	221,151
Total fund balances	<u>71,227</u>	<u>66,673</u>	<u>79,907</u>	<u>3,344</u>	<u>221,151</u>
Total liabilities and fund balances	<u>\$ 1,287,811</u>	<u>\$ 66,673</u>	<u>\$ 97,169</u>	<u>\$ 3,344</u>	<u>\$ 1,454,997</u>

**City of Walla Walla**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Year Ended December 31, 2010**

	L.T.G.O Bond	LID 765- Downtown Revitalization	CLID #2	LID Guarantee	Total Nonmajor Debt Service
<b>REVENUES</b>					
Taxes	1,096,108	-	-	-	1,096,108
Miscellaneous revenues	893	191	15,659	10	16,753
Total revenues	1,097,001	191	15,659	10	1,112,861
<b>EXPENDITURES</b>					
Debt service:					
Principal Retirement	682,973	-	-	-	682,973
Interest	636,435	-	-	-	636,435
Administrative charges	1,560	-	-	-	1,560
Total expenditures	1,320,968	-	-	-	1,320,968
Excess (deficiency) of revenues over expenditures	(223,967)	191	15,659	10	(208,107)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	243,162	-	-	-	243,162
Total other financing sources and uses	243,162	-	-	-	243,162
Net change in fund balances	19,195	191	15,659	10	35,055
Fund balances -- beginning	52,032	66,482	64,248	3,334	186,096
Fund balances -- ending	\$ 71,227	\$ 66,673	\$ 79,907	\$ 3,344	\$ 221,151

City of Walla Walla  
 Combining Balance Sheet  
 Nonmajor Capital Project Funds  
 December 31, 2010

	Fire CIP's	Parks CIP's	Total Nonmajor Capital Project
<b>ASSETS</b>			
Cash and equivalents	49,845		
Total assets	\$ 49,845	5,145	54,990
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:	-	-	-
Fund balances:			
Unreserved, reported in:			
Capital Projects	49,845	5,145	54,990
Total fund balances	49,845	5,145	54,990
Total liabilities and fund balances	\$ 49,845	\$ 5,145	\$ 54,990

City of Walla Walla  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Capital Project Funds**  
**For the Year Ended December 31, 2010**

	Fire CIP's	Parks CIP's	Total Nonmajor Capital Project
<b>REVENUES</b>			
Miscellaneous revenues	160	16	176
Total revenues	160	16	176
<b>EXPENDITURES</b>			
Current:			
Public Safety	1,611	-	1,611
Total expenditures	1,611	-	1,611
Excess (deficiency) of revenues over expenditures	(1,451)	16	(1,435)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	379	379
Transfers out	(48,044)	(213)	(48,257)
Total other financing sources and uses	(48,044)	166	(47,878)
Net change in fund balances	(49,495)	182	(49,313)
Fund balances -- beginning	99,340	4,963	104,303
Fund balances -- ending	\$ 49,845	\$ 5,145	\$ 54,990

City of Walla Walla  
Combining Balance Sheet  
Nonmajor Permanent Funds  
December 31, 2010

	Esther Eyrud	Sherwood Library	Cemetery Endowment	Total Nonmajor Permanent
<b>ASSETS</b>				
Cash and equivalents	10,115	834	7,138	18,087
Restricted cash and cash equivalents	3,000	13,545	833,461	850,006
Other receivables (net)	-	-	1,003	1,003
Total assets	<u>\$ 13,115</u>	<u>\$ 14,379</u>	<u>\$ 841,602</u>	<u>\$ 869,096</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:	-	-	-	-
Fund balances:				
Reserved for endowment principal	3,000	13,545	833,461	850,006
Unreserved, reported in Permanent Fund	10,115	834	8,141	19,090
Total fund balances	<u>13,115</u>	<u>14,379</u>	<u>841,602</u>	<u>869,096</u>
Total liabilities and fund balances	<u>\$ 13,115</u>	<u>\$ 14,379</u>	<u>\$ 841,602</u>	<u>\$ 869,096</u>

City of Walla Walla  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Permanent Funds  
For the Year Ended December 31, 2010

	Esther Eyrud	Sherwood Library	Cemetery Endowment	Total Nonmajor Permanent
<b>REVENUES</b>				
Charges for goods and services	-	-	17,284	17,284
Miscellaneous revenues	38	42	2,345	2,425
Total revenues	<u>38</u>	<u>42</u>	<u>19,629</u>	<u>19,709</u>
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	38	42	19,629	19,709
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	12,000	12,000
Transfers Out	-	-	(26,000)	(26,000)
Total other financing sources and uses	-	-	(14,000)	(14,000)
Net change in fund balances	38	42	5,629	5,709
Fund balances -- beginning	13,077	14,337	835,973	863,387
Fund balances -- ending	<u>\$ 13,115</u>	<u>\$ 14,379</u>	<u>\$ 841,602</u>	<u>\$ 869,096</u>

**City of Walla Walla**  
**Other Governmental Funds**  
**Schedule of Expenditures - Budget to Actual**  
**For Year Ended December 31, 2010**

	Final Budget 2009-2010 Biennium	Actual Biennium To-Date Through 12/31/10	Variance with Final Budget Positive (Negative)
<b>Special Revenue Funds</b>			
Street	3,435,660	2,939,690	495,970
Real Estate Excise Tax	432,620	432,620	-
Housing Development	387,430	347,830	39,600
Hotel-Motel Tax	1,219,340	1,194,150	25,190
Tourism Promotion	-	-	-
UDAG	112,230	112,230	-
Drug enforcement	159,440	88,960	70,480
Community Development	-	-	-
Code Enforcement	11,330	5,220	6,110
Total Expenditures	<u>5,758,050</u>	<u>5,120,700</u>	<u>637,350</u>
<b>Debt Service Funds</b>			
L.T.G.O Bond	1,842,480	1,844,030	(1,550)
LID 765-Downtown Revital	-	-	-
CLID #2	-	-	-
LID Guarantee	-	-	-
Total Expenditures	<u>1,842,480</u>	<u>1,844,030</u>	<u>(1,550)</u>
<b>Capital Project Funds</b>			
General CIP's	11,971,840	2,897,310	9,074,530
Fire CIP's	232,230	126,640	105,590
Parks CIP's	218,730	213,720	5,010
Street CIP's	13,016,280	6,133,480	6,882,800
Total Expenditures	<u>25,439,080</u>	<u>9,371,150</u>	<u>16,067,930</u>
<b>Permanent Funds</b>			
Esther Eyrud	660	30	630
Sherwood Library	820	-	820
Cemetery Endowment	51,000	51,000	-
Total Expenditures	<u>52,480</u>	<u>51,030</u>	<u>1,450</u>

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

## 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, 2010

	Golf Course	Stormwater	Total Other Enterprise
<b>ASSETS</b>			
Current assets:			
Cash and equivalents	36,975	942,247	979,222
Other receivables (net)	-	76,907	76,907
Total current assets	<u>36,975</u>	<u>1,019,154</u>	<u>1,056,129</u>
Noncurrent assets:			
Land	38,508	16,907	55,415
Improvements other than buildings (net)	959,145	190,428	1,149,573
Machinery and equipment (net)	9,449	-	9,449
Infrastructure (net)	117,683	427,192	544,875
Construction in progress	292,599	275,358	567,957
Total noncurrent assets	<u>1,417,384</u>	<u>909,885</u>	<u>2,327,269</u>
Total assets	<u>1,454,359</u>	<u>1,929,039</u>	<u>3,383,398</u>
<b>LIABILITIES</b>			
Current liabilities:			
Other accrued liabilities	2,695	17,129	19,824
Compensated absences	-	16,613	16,613
Current portion long term debt	15,871	-	15,871
Interfund loans payable	30,721	-	30,721
Total current liabilities	<u>49,287</u>	<u>33,742</u>	<u>83,029</u>
Long-term liabilities:			
Compensated absences	-	12,712	12,712
Long term debt	277,730	-	277,730
Interfund loans payable	559,179	-	559,179
Total noncurrent liabilities	<u>836,909</u>	<u>12,712</u>	<u>849,621</u>
Total liabilities	<u>886,196</u>	<u>46,454</u>	<u>932,650</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,123,783	909,885	2,033,668
Unrestricted	(555,620)	972,700	417,080
Total net assets	<u>568,163</u>	<u>1,882,585</u>	<u>2,450,748</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, 2010**

	Golf Course	Stormwater	Total Other Enterprise
Operating revenues:			
Intergovernmental revenues	-	399,846	399,846
Charges for goods and services	26,104	1,253,730	1,279,834
Total operating revenues	<u>26,104</u>	<u>1,653,576</u>	<u>1,679,680</u>
Operating expenses:			
Depreciation	45,501	10,388	55,889
Bad debt expense	-	48	48
Salaries and wages	-	187,124	187,124
Personnel benefits	-	77,399	77,399
Supplies	-	12,336	12,336
Services and charges	4,111	28,115	32,226
Intergovernmental services	-	153,856	153,856
Interfund service payments	33,010	289,729	322,739
Total operating expenses	<u>82,622</u>	<u>758,995</u>	<u>841,617</u>
Operating income (loss)	<u>(56,518)</u>	<u>894,581</u>	<u>838,063</u>
Nonoperating revenues (expenses):			
Miscellaneous revenues	51,288	1,442	52,730
Debt service-interest	(39,635)	-	(39,635)
Total non operating revenue (expenses)	<u>11,653</u>	<u>1,442</u>	<u>13,095</u>
Income (loss) before contributions and transfers	<u>(44,865)</u>	<u>896,023</u>	<u>851,158</u>
Capital contributions	5,002	-	5,002
Transfers in	-	55,353	55,353
Change in net assets	<u>(39,863)</u>	<u>951,376</u>	<u>911,513</u>
Total net assets -- beginning	608,026	931,209	1,539,235
Total net assets -- ending	<u>568,163</u>	<u>1,882,585</u>	<u>2,450,748</u>

City of Walla Walla  
Combining Statement of Cash Flows  
Non-major Enterprise Funds  
For the Year Ended December 31, 2010

	Golf Course	Stormwater	Total Other Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash from customers	27,431	1,226,025	1,253,456
Cash from grants	-	399,846	399,846
Payments to suppliers	(4,154)	(191,922)	(196,076)
Payments to employees	-	(261,753)	(261,753)
Interfund service payments	(33,010)	(289,729)	(322,739)
<b>Net cash provided by operating activities</b>	<b>(9,733)</b>	<b>882,467</b>	<b>872,734</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds (repayments) from interfund loan	(56,780)	-	(56,780)
Miscellaneous	51,081	-	51,081
Transfers in	-	55,353	55,353
<b>Total cash flows from financing</b>	<b>(5,699)</b>	<b>55,353</b>	<b>49,654</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(2,308)	(254,779)	(257,087)
Capital contributions and purchases	5,002	-	5,002
Principal and interest payments	(28,166)	-	(28,166)
<b>Total cash flows from capital and related</b>	<b>(25,472)</b>	<b>(254,779)</b>	<b>(280,251)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	208	1,442	1,650
<b>Total cash flows from investing</b>	<b>208</b>	<b>1,442</b>	<b>1,650</b>
Net increase (decrease) in cash and cash equivalents	(40,696)	684,483	643,787
Beginning cash and cash equivalents	77,671	257,764	335,435
Ending cash and cash equivalents	36,975	942,247	979,222
<b>Reconciliation of operating income(loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	(56,518)	894,581	838,063
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	45,501	10,388	55,889
(Increase) decrease in accounts receivable	1,327	(27,657)	(26,330)
Increase (decrease) in accounts payable	(43)	2,385	2,342
Increase (decrease) in salaries & benefits	-	2,770	2,770
<b>Net cash provided by operating activities</b>	<b>(9,733)</b>	<b>882,467</b>	<b>872,734</b>
<b>No noncash investing, capital, and financing activities</b>			

**City of Walla Walla**  
**Combining Statement of Net Assets - Internal Service Funds**  
**December 31, 2010**

	Business-type activities		Governmental-type activities				Total Internal Service
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	
<b>ASSETS</b>							
Current assets:							
Cash and equivalents	26,577	5,267,177	338,123	106,911	73,506	327,126	6,139,420
Other receivables (net)	861	8,783	82,230	-	-	-	91,874
Interfund loans receivable	-	1,042,543	-	-	-	-	1,042,543
Inventories	145,320	-	-	-	-	-	145,320
Total current assets	172,758	6,318,503	420,353	106,911	73,506	327,126	7,419,157
Noncurrent assets:							
Interfund loans receivable	-	2,240,717	-	-	-	-	2,240,717
Land	-	-	-	135,600	-	-	135,600
Buildings and structures (net)	-	-	-	2,601,429	-	-	2,601,429
Machinery and equipment (net)	58,782	3,987,655	224,463	-	-	-	4,270,900
Infrastructure (net)	-	-	-	14,486	-	-	14,486
Construction in progress	-	-	-	337,241	-	-	337,241
Total noncurrent assets	58,782	6,228,372	224,463	3,088,756	-	-	9,600,373
Total assets	231,540	12,546,875	644,816	3,195,667	73,506	327,126	17,019,530
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	2,622	-	-	-	-	14,753	17,375
Other accrued liabilities	20,371	-	72,786	4,349	-	-	97,506
Industrial insurance claims	-	-	-	-	-	25,590	25,590
Compensated absences	24,396	-	103,118	3,562	-	-	131,076
Current portion long term debt	-	-	-	107,691	-	-	107,691
Interfund loans payable	39,993	-	-	-	-	-	39,993
Total current liabilities	87,382	-	175,904	115,602	-	40,343	419,231
Long-term liabilities:							
Industrial insurance claims	-	-	-	-	-	170,651	170,651
Compensated absences	4,890	-	10,049	352	-	-	15,291
Long term debt	-	-	-	355,957	-	-	355,957
Interfund loans payable	40,893	-	-	-	-	-	40,893
Total noncurrent liabilities	45,783	-	10,049	356,309	-	170,651	582,792
Total liabilities	133,165	-	185,953	471,911	-	210,994	1,002,023
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	58,782	3,987,655	224,463	2,625,108	-	-	6,896,008
Unrestricted	39,593	8,559,220	234,400	98,648	73,506	116,132	9,121,499
Total net assets	98,375	12,546,875	458,863	2,723,756	73,506	116,132	16,017,507

**City of Walla Walla**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2010**

	Business-type activities		Government-type activities				Total Internal Service
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	
<b>Operating revenues:</b>							
Intergovernmental revenues	-	-	1,596,489	-	-	-	1,596,489
Charges for goods and services	11,446	-	-	-	-	-	11,446
Interfund charges	1,554,143	1,400,660	-	645,280	4,173,893	277,783	8,051,759
Total operating revenues	<u>1,565,589</u>	<u>1,400,660</u>	<u>1,596,489</u>	<u>645,280</u>	<u>4,173,893</u>	<u>277,783</u>	<u>9,659,694</u>
<b>Operating expenses:</b>							
Depreciation	4,835	768,153	27,156	79,304	-	-	879,448
Salaries and wages	262,835	-	865,425	52,352	-	-	1,180,612
Personnel benefits	149,621	-	362,893	20,727	4,262,791	-	4,796,032
Supplies	650,141	-	185,766	43,086	-	-	878,993
Services and charges	160,411	-	248,944	122,245	2,605	360,411	894,616
Intergovernmental services	-	-	11,304	-	-	-	11,304
Interfund service payments	228,320	-	150,974	77,350	-	-	456,644
Total operating expenses	<u>1,456,163</u>	<u>768,153</u>	<u>1,852,462</u>	<u>395,064</u>	<u>4,265,396</u>	<u>360,411</u>	<u>9,097,649</u>
Operating income (loss)	<u>109,426</u>	<u>632,507</u>	<u>(255,973)</u>	<u>250,216</u>	<u>(91,503)</u>	<u>(82,628)</u>	<u>562,045</u>
<b>Nonoperating revenues (expenses):</b>							
Taxes	-	-	342,780	-	-	-	342,780
Miscellaneous revenues	727	124,934	5,946	906	721	928	134,162
Gain (loss) on disposal of capital assets	-	(4,915)	-	-	-	-	(4,915)
Debt service-interest	(2,187)	-	-	(155,685)	-	-	(157,872)
Total non-operating revenue (expenses)	<u>(1,460)</u>	<u>120,019</u>	<u>348,726</u>	<u>(154,779)</u>	<u>721</u>	<u>928</u>	<u>314,155</u>
Income (loss) before contributions and transfers	107,966	752,526	92,753	95,437	(90,782)	(81,700)	876,200
Transfers in	-	850,000	-	110,063	-	-	960,063
Change in net assets	107,966	1,602,526	92,753	205,500	(90,782)	(81,700)	1,836,263
Total net assets -- beginning	(9,591)	10,944,349	366,110	2,518,256	164,288	197,832	14,181,244
Total net assets -- ending	<u>98,375</u>	<u>12,546,875</u>	<u>458,863</u>	<u>2,723,756</u>	<u>73,506</u>	<u>116,132</u>	<u>16,017,507</u>

City of Walla Walla  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2010

	Business-type activities						Government-type activities					Total Internal Service
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	Emergency Communication	Service Center	Health Insurance	Industrial Insurance		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
Cash from customers	11,689	420	(80,328)	-	-	-	-	-	-	-	-	(68,219)
Cash from grants	-	-	1,596,489	-	-	-	-	-	-	-	-	1,596,489
Cash from interfund services	1,554,143	1,400,660	-	645,280	4,173,893	277,783	-	-	-	-	-	8,051,759
Payments to suppliers	(852,004)	-	(451,664)	(179,491)	(2,605)	(345,658)	-	-	-	-	-	(1,831,422)
Payments to employees	(414,195)	-	(1,211,213)	(72,245)	(4,262,791)	132,569	-	-	-	-	-	(5,827,875)
Interfund service payments	(228,320)	-	(150,974)	(77,350)	-	-	-	-	-	-	-	(456,644)
<b>Net cash provided by operating activities</b>	<b>71,313</b>	<b>1,401,080</b>	<b>(297,690)</b>	<b>316,194</b>	<b>(91,503)</b>	<b>64,694</b>						<b>1,464,088</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>												
Cash from taxes	-	-	342,780	-	-	-	-	-	-	-	-	342,780
Proceeds (repayments) from interfund loan	(41,301)	1,158,262	-	-	-	-	-	-	-	-	-	1,116,961
Transfers in	-	850,000	-	110,063	-	-	-	-	-	-	-	960,063
<b>Total cash flows from financing</b>	<b>(41,301)</b>	<b>2,008,262</b>	<b>342,780</b>	<b>110,063</b>	<b>-</b>	<b>-</b>						<b>2,419,804</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>												
Purchase of capital assets	(11,001)	(883,422)	(98,409)	(281,144)	-	-	-	-	-	-	-	(1,273,976)
Principal and interest payments	-	-	-	(386,440)	-	-	-	-	-	-	-	(386,440)
<b>Total cash flows from capital and financing activities</b>	<b>(11,001)</b>	<b>(883,422)</b>	<b>(98,409)</b>	<b>(667,584)</b>	<b>-</b>	<b>-</b>						<b>(1,660,416)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
Interest received	728	11,859	5,946	908	721	928	-	-	-	-	-	21,090
<b>Total cash flows from investing activities</b>	<b>728</b>	<b>11,859</b>	<b>5,946</b>	<b>908</b>	<b>721</b>	<b>928</b>						<b>21,090</b>
Net increase (decrease) in cash and cash equivalents	19,739	2,537,779	(47,373)	(240,419)	(90,782)	65,622	-	-	-	-	-	2,244,566
Beginning cash and cash equivalents	6,838	2,729,398	385,496	347,330	164,288	261,504	-	-	-	-	-	3,894,854
Ending cash and cash equivalents	26,577	5,267,177	338,123	106,911	73,506	327,126	-	-	-	-	-	6,139,420
<b>Reconciliation of operating income(loss) to net cash provided (used) by operating activities:</b>												
Operating income (loss)	109,426	632,507	(255,973)	250,216	(91,503)	(82,628)	-	-	-	-	-	562,045
Adjustments to reconcile operating income to net cash provided (used) by operating activities:												
Depreciation expense	4,835	768,153	27,156	79,304	-	-	-	-	-	-	-	879,448
(Increase) decrease in inventories	243	420	(80,328)	-	-	-	-	-	-	-	-	(79,665)
(Increase) decrease in accounts receivable	(43,061)	-	-	-	-	-	-	-	-	-	-	(43,061)
Increase (decrease) in accounts payable	1,609	-	(5,650)	(14,160)	-	14,753	-	-	-	-	-	(3,448)
Increase (decrease) in salaries & benefits	(1,739)	-	17,105	834	-	132,569	-	-	-	-	-	148,769
<b>Net cash provided by operating activities</b>	<b>71,313</b>	<b>1,401,080</b>	<b>(297,690)</b>	<b>316,194</b>	<b>(91,503)</b>	<b>64,694</b>						<b>1,464,088</b>
<b>No noncash investing, capital, and financing activities</b>												



## 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 emembers and beneficiaries of defined benefit pension plans, defined contribution lans, 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 inventment, 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, 2010

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other employee Benefits
<b>ASSETS</b>			
Cash and equivalents	197,591	76,704	274,295
Total assets	197,591	76,704	274,295
<b>LIABILITIES</b>			
Accounts payable	1,738	-	1,738
Other accrued liabilities	-	24,005	24,005
Total Liabilities	1,738	24,005	25,743
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	\$ 195,853	\$ 52,699	\$ 248,552

**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, 2010**

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other employee Benefits
<b>ADDITIONS</b>			
Contributions:			
Intergovernmental revenues	-	40,669	40,669
Employer contributions	688,500	142,505	831,005
Total Contributions	688,500	183,174	871,674
Investment earnings:			
Interest on investments	444	590	1,034
Total investment earnings	444	590	1,034
Net Investment Earnings	444	590	1,034
Total additions	688,944	183,764	872,708
<b>DEDUCTIONS</b>			
Personnel benefits	598,080	288,132	886,212
Services and charges	690	8,525	9,215
Total deductions	598,770	296,657	895,427
Change in Net Assets	90,174	(112,893)	(22,719)
Net Assets-- beginning of the year	105,679	165,592	271,271
Net Assets -- end of the year	\$ 195,853	\$ 52,699	\$ 248,552

City of Walla Walla  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended December 31, 2010

		WALNET		
	Balance January 1 2010	Additions	Deductions	Balance December 31 2010
<b>ASSETS</b>				
Cash and equivalents	137,620	63,101	121,435	79,286
Other receivables	-	13,631	13,631	-
Total assets	137,620	76,732	135,066	79,286
<b>LIABILITIES</b>				
Accounts Payable	26	63,939	60,277	3,688
Due to other governments	137,594	217,231	279,227	75,598
Total Liabilities	137,620	281,170	339,504	79,286

# STATISTICAL SECTION

This part of the City of Walla Walla's comprehensive annual financial 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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
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>	109
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the sales tax and the property tax.</i>	117
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>	127
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>	132
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>	135

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<sup>(1)</sup></u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt	11,151,216	12,282,496	15,918,784	34,617,774	35,758,599	35,961,027	41,988,033			
Restricted	4,384,694	17,856	941,039	968,698	966,775	11,406,540	11,048,634			
Unrestricted	1,175,174	12,034,923	10,071,471	10,337,924	8,136,186	(1,889,758)	(2,402,386)			
Total governmental activities net assets	16,711,084	24,335,275	26,931,294	45,924,396	44,861,560	45,477,809	50,634,281			
<b>Business-type activities:</b>										
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	58,806,203			
Restricted	3,313,278	3,512,482	-	-	-	-	7,440,043			
Unrestricted	13,939,110	16,019,760	20,098,587	19,793,626	15,959,286	12,631,639	8,637,841			
Total business-type activities net assets	51,713,490	52,586,316	56,457,463	59,245,171	70,968,629	71,822,404	74,884,087			
<b>Primary government:</b>										
Invested in capital assets, net of related debt	45,612,318	45,336,570	52,277,660	74,069,319	90,767,942	95,151,792	100,794,236			
Restricted	7,697,972	3,530,338	941,039	968,698	966,775	11,406,540	18,488,677			
Unrestricted	15,114,284	28,054,683	30,170,058	30,131,550	24,095,472	10,741,881	6,235,455			
Total primary government net assets	68,424,574	76,921,591	83,388,757	105,169,567	115,830,189	117,300,213	125,518,368			

(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)**

	<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>
<b>Expenses</b>										
<u>Governmental activities:</u>										
General government		2,659,129	2,587,061	2,330,767	2,086,210	1,703,081	1,272,314			
Public safety	10,643,115	9,638,866	11,993,877	11,930,812	12,957,589	14,041,960	14,548,204			
Utilities and environment	1,395,115	1,688,267	1,654,611	1,747,603	2,194,410	2,410,889	2,252,629			
Transportation	11,255	1,426,150	1,547,611	3,697,036	3,135,176	3,294,843	2,902,711			
Economic environment	840,346	1,260,339	1,145,254	840,494	977,075	1,006,575	925,031			
Culture and recreation	352,307	3,016,638	3,312,776	3,430,873	4,036,271	4,056,478	3,529,640			
Interest on long term debt	247,324	409,300	383,325	379,826	374,770	367,901	832,691			
Total governmental activities:	15,695,532	20,098,689	22,624,515	24,357,411	25,761,501	26,881,727	26,263,219			
<u>Business-type activities:</u>										
Ambulance	2,611,939	2,581,533	3,168,049	3,539,353	3,325,981	3,285,123	3,390,344			
Golf Course	29,163	44,583	51,680	95,364	99,102	134,812	122,256			
Landfill	1,786,140	2,019,772	2,834,223	4,341,065	3,228,911	7,488,687	2,868,474			
Sanitation	3,196,846	3,272,422	3,756,424	3,644,293	4,047,618	3,863,169	4,297,310			
Stormwater	511,849	556,646	597,867	719,012	743,937	690,267	714,354			
Water/Wastewater	12,133,410	11,554,548	11,588,092	11,694,883	12,100,919	12,202,005	13,807,084			
Total business-type activities	20,269,347	20,029,504	21,996,335	24,033,970	23,546,468	27,664,063	25,199,822			
Total primary government expenses	35,964,879	40,128,193	44,620,850	48,391,381	49,307,969	54,545,790	51,463,041			
<b>Program Revenues</b>										
<u>Governmental activities:</u>										
Charges for services:										
General government	-	231,730	252,900	251,868	246,721	242,093	259,343			
Public safety	70,689	333,696	601,909	1,190,975	644,868	509,470	515,762			
Utilities and environment	559,473	1,228,070	1,061,429	1,201,515	1,279,582	1,670,017	1,604,956			
Transportation	210,365	254,573	225,428	224,285	161,328	168,828	355,878			
Economic environment	33,233	894,548	730,845	858,902	1,086,063	719,487	582,598			
Culture and recreation	393,443	305,156	223,404	256,415	265,052	311,456	317,355			
Operating grants and contributions	257,240	711,768	846,731	348,191	326,057	435,075	799,303			
Capital grants and contributions	23,559	964,389	1,683,758	2,102,864	932,627	1,788,586	5,679,398			
Total governmental activities program revenue	1,548,002	4,923,930	5,626,404	6,435,015	4,942,298	5,845,012	10,114,593			

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

	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business-type activities:</b>										
Charges for services:										
Ambulance	1,664,269	1,927,176	1,997,421	2,853,262	3,031,437	3,256,088	3,444,853			
Golf Course	37,516	49,518	85,363	93,227	89,419	82,158	77,185			
Landfill	1,825,043	1,986,521	2,345,856	3,143,310	3,313,955	3,195,565	3,327,597			
Sanitation	3,190,804	3,514,517	3,953,997	3,864,671	3,784,891	4,174,490	4,509,943			
Stormwater	560,937	581,882	667,222	714,426	724,404	882,822	1,253,731			
Water/Wastewater	13,116,537	13,838,514	14,109,067	14,823,335	15,075,995	15,191,853	15,760,002			
Operating grants and contributions	6,789	886,956	1,201,595	399,976	198,512	244,739	302,553			
Capital grants and contributions	15,133	108,907	555,011	941,384	3,994,360	972,152	736,454			
Total business-type activities program revenue	20,417,028	22,893,991	24,915,532	26,833,591	30,212,973	27,999,867	29,412,318			
Total primary government program revenue	21,965,030	27,817,921	30,541,936	33,268,606	35,155,271	33,844,879	39,526,911			
Net (expense)/revenue:										
Governmental activities	(14,147,530)	(15,174,759)	(16,998,111)	(17,922,396)	(20,819,203)	(21,036,715)	(16,148,626)			
Business-type activities	147,681	2,864,487	2,919,197	2,799,621	6,666,505	335,804	4,212,496			
Total primary government net expense	(13,999,849)	(12,310,272)	(14,078,914)	(15,122,775)	(14,152,698)	(20,700,911)	(11,936,130)			
<b>General Revenues and Other Changes</b>										
<b>Governmental activities:</b>										
Taxes										
Property taxes	3,883,778	4,034,359	4,335,642	4,458,320	4,575,216	5,780,071	5,926,165			
Sales taxes	4,677,645	5,584,847	6,078,419	6,248,205	6,646,811	6,134,841	5,687,489			
Other taxes	4,834,269	5,447,517	5,976,245	6,360,753	6,196,929	6,331,078	6,120,433			
Intergovernmental	1,929,136	2,708,949	2,095,669	2,102,588	2,133,248	2,019,358	2,008,115			
Miscellaneous general revenue	1,748,429	778,463	635,717	489,058	268,985	40,292	69,669			
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	1,493,227			
Total governmental activities general revenue	17,270,757	18,441,772	19,594,130	20,960,413	19,785,423	20,791,499	21,305,098			
Business-type activities:										
Taxes										
Property taxes	-	-	-	-	-	-	-			
Intergovernmental	688,628	115,818	-	-	-	-	1,355			
Miscellaneous general revenue	762,889	658,189	883,726	1,121,579	744,451	486,027	348,921			
Gain (loss) on sale of assets	-	35,535	277,077	(14,350)	13,610	10,857	(7,862)			
Transfers	(197,500)	89,401	(208,853)	(1,301,489)	35,766	(531,109)	(1,493,227)			
Total business-type activities general revenue	1,254,017	898,943	951,950	(194,260)	793,827	(34,225)	(1,150,813)			
Total primary government	18,524,774	19,340,715	20,546,080	20,766,153	20,579,250	20,757,274	20,154,285			
<b>Change in Net Assets</b>										
Governmental activities	3,123,227	3,267,013	2,596,019	3,038,017	(1,033,780)	(245,216)	5,156,472			
Business-type activities	1,401,698	3,763,430	3,871,147	2,605,361	7,460,332	301,579	3,061,683			
Total primary government	4,524,925	7,030,443	6,467,166	5,643,378	6,426,552	56,363	8,218,155			

\* 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	445,580			
Unreserved	2,353,785	3,338,148	2,920,639	3,724,050	2,771,992	2,315,670	1,868,624			
Total general fund	2,353,785	3,338,148	3,060,708	3,852,120	2,878,350	2,493,007	2,314,204			
All other governmental funds										
Reserved	4,169,487	738,217	1,045,643	795,196	823,273	844,823	850,006			
Unreserved, reported in:										
Special revenue funds	2,620,345	1,376,389	1,064,651	1,264,892	1,129,100	1,021,855	1,262,193			
Debt service funds	215,207	278,499	267,806	359,635	495,144	186,096	221,151			
Capital project funds	1,370,428	3,299,945	2,059,233	1,619,036	757,412	11,119,318	10,370,535			
Permanent funds	67,271	56,086	35,643	45,432	37,144	18,564	19,090			
Total other governmental funds	8,442,738	5,749,136	4,472,976	4,084,191	3,242,073	13,190,656	12,722,975			

\* 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>	<u>2013</u>
<b>Revenues</b>										
Taxes	13,039,718	15,017,271	15,650,755	16,787,490	16,841,399	16,611,739	17,181,308			
Licenses and permits	702,707	1,061,407	765,669	807,576	964,093	700,973	609,565			
Intergovernmental	1,759,213	2,509,983	3,778,599	3,033,975	2,298,529	3,619,535	4,727,086			
Charges for goods and services	3,824,678	4,344,530	4,676,832	5,203,535	5,679,186	6,581,763	6,893,718			
Fines and forfeits	257,379	244,642	317,153	784,510	359,050	301,911	304,466			
Miscellaneous revenues	-	1,893,912	751,802	1,036,052	757,583	388,841	394,948			
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	30,111,091			
<b>Expenditures</b>										
Current:										
General government	4,311,470	5,502,567	5,211,056	5,233,073	5,448,438	5,666,282	5,506,634			
Public safety	8,875,037	8,940,838	10,938,288	10,929,395	11,623,729	12,307,401	12,537,110			
Utilities and environment	1,401,286	1,650,164	1,696,620	1,792,849	2,155,795	2,466,834	2,327,038			
Transportation	1,080,213	1,365,803	1,413,103	2,227,380	1,691,921	1,373,395	1,546,263			
Economic environment	834,529	1,238,411	1,166,016	842,221	972,451	1,014,531	996,500			
Culture and recreation	2,603,621	2,863,217	3,202,117	3,269,666	3,819,310	3,898,419	3,406,847			
Debt service:										
Principal retirement	585,000	606,337	541,351	316,352	321,352	337,973	1,112,973			
Interest	266,116	398,136	240,763	238,522	223,310	213,335	686,624			
Administrative charges	-	11,164	1,266	1,266	1,269	1,260	13,823			
Capital outlay:										
General government	147,482	234,381	209,408	98,611	110,733	107,941	71,127			
Public safety	179,250	2,768,497	771,197	29,009	167,758	1,118,552	1,315,702			
Utilities and environment	556,338	-	10,196	-	-	13,461	6,059			
Transportation	18,942	399,791	1,948,567	3,314,025	1,955,435	1,971,844	4,012,258			
Economic environment	-	-	-	-	-	-	206,163			
Culture and recreation	758	1,083,078	446,193	187,878	112,435	224,719	-			
Total expenditures	20,860,042	27,062,384	27,796,141	28,480,247	28,603,936	30,715,947	33,745,121			
Excess revenues over (under) expenditures	(456,595)	(1,977,969)	(1,855,331)	(827,109)	(1,704,096)	(2,511,185)	(3,634,030)			

**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>	<u>2013</u>
<b>Other financing sources (uses)</b>										
Transfers in	3,717,595	3,759,895	2,233,973	2,790,017	3,028,761	1,384,455	3,402,196			
Transfers out	(3,520,095)	(3,741,674)	(2,106,082)	(1,560,280)	(3,217,646)	(1,083,128)	(2,019,031)			
Insurance recoveries					77,094	13,720	283,114			
Bonds Issued	-	-	-	-	-	11,595,000	1,260,000			
Premium on Bonds Issued	-	-	-	-	-	126,787	61,298			
Proceeds from debt	4,500,000	400,000	-	-	-	-	-			
Proceeds from disposal of capital assets	-	-	173,839	-	-	8,000	-			
<b>Total other financing sources (uses)</b>	<b>4,697,500</b>	<b>418,221</b>	<b>301,730</b>	<b>1,229,737</b>	<b>(111,791)</b>	<b>12,044,834</b>	<b>2,987,577</b>			
<b>Net change in fund balances</b>	<b>4,240,905</b>	<b>(1,559,748)</b>	<b>(1,553,601)</b>	<b>402,628</b>	<b>(1,815,887)</b>	<b>9,533,649</b>	<b>(646,453)</b>			
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.45%</b>	<b>4.66%</b>	<b>3.31%</b>	<b>2.28%</b>	<b>2.12%</b>	<b>2.06%</b>	<b>6.84%</b>			

\* 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	5,926,165			
Sales tax	4,677,645	5,584,847	6,078,419	6,248,205	6,646,811	6,134,841	5,687,489			
Payment in lieu of tax	1,840,059	2,082,949	2,104,897	2,214,284	2,278,219	2,152,560	2,296,596			
Business and occupation tax	2,450,289	2,604,885	2,801,949	3,176,692	3,050,559	3,464,751	3,137,873			
Gambling tax	276,432	289,053	233,612	227,767	163,759	135,422	108,771			
Real estate excise tax	229,932	410,820	466,905	322,658	290,268	192,846	188,777			
Leasehold tax	37,557	59,810	55,705	68,770	64,193	30,831	27,258			
E911 Access Tax	-	-	313,176	350,581	349,931	354,668	342,780			
Tourism Promotion Area Tax	-	-	-	-	-	-	18,378			
<b>Total taxes</b>	<b>13,039,718</b>	<b>15,066,723</b>	<b>16,390,305</b>	<b>17,067,277</b>	<b>17,418,956</b>	<b>18,245,990</b>	<b>17,734,087</b>			

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

**City of Walla Walla  
Property Tax Rates**

**Direct and Overlapping Governments <sup>(1)</sup>  
Last Eight 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	-	2.952	1.757	0.111	1.868	3.739	1.590	5.329	10.149
2004	2.906	-	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	-	2.236	1.45	0.070	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	2.381	0.606	2.987	1.494	-	1.494	3.409	1.301	4.710	9.191

Source: Provided in the County Assessment Guide by the Assessor's Office

Note: <sup>(1)</sup> 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**

<b>Fiscal Year</b>	<b>Real Property Value</b>	<b>Personal Property Value</b>	<b>State Assessed Value</b>	<b>Less: Open Space Loss</b>	<b>Less: Senior Loss</b>	<b>Less: Head of Household Loss</b>	<b>Less: Minimum Value Loss</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2002	1,115,752,061 <sup>(1)</sup>			31,651,055 <sup>(1)</sup>				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	1,266,687,901	3.1718
2007	1,475,258,200	66,968,757	34,853,739	482,500	55,718,300		606,849	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	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	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	1,941,465,273	2.3950
2011	1,941,762,300	76,134,762	45,870,117	2,053,500	70,845,100		1,137,779	1,989,718,123	2.3810

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

<sup>(1)</sup> Breakdown of property value and exemptions is unavailable for 2002

**City of Walla Walla**  
**Walla Walla County Top Ten Principal Property Taxpayers**  
**Current Year and Six Years Prior\*\***

	2010			2004*		
	<b>Total Taxes</b>	<b>Rank</b>	<b>Percentage of Assessed Taxes</b>	<b>Total Taxes</b>	<b>Rank</b>	<b>Percentage of Assessed Taxes</b>
<b>County Taxpayers</b>						
Boise Cascade	2,443,371	1	4.13%	3,119,556	1	7.50%
Gas Transmission Northwest	1,011,332	2	1.71%	535,325	3	1.29%
FPL Energy Vansycle LLC	903,008	3	1.53%			
Ralph & Cheryl Broetje (Broetje Orchards)	826,326	4	1.40%	455,681	6	1.10%
Pacific Corp	662,060	5	1.12%	530,142	4	1.27%
J.R. Simplot Company	470,711	6	0.80%	310,459	7	0.75%
Union Pacific Railroad C.O.	467,492	7	0.79%	247,537	9	0.60%
I.B.P. Inc (Tyson Fresh Meats)	423,240	8	0.72%	479,058	5	1.15%
Railtex	280,842	9	0.47%			
Wal-Mart Real Estate	183,653	10	0.31%			
Northwest Grain Growers				226,451	10	0.54%
Ponderosa Fibres of America				768,942	2	1.85%
U.S. West Communication				262,976	8	0.63%

Source: 2004 Provided by the Port of Walla Walla - Walla Walla County Quick Facts

2010 Provided by the County Assessor

\*2004 used as oldest data available. Historical information is not available.

**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>Fiscal Year</u>	<u>Amount</u>	<u>Amount</u>	<u>% of Levy</u>	<u>Amount</u>	<u>% of Levy</u>	<u>Amount</u>	<u>% of Levy</u>
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%	102,522		3,323,430	100.0%
2003		3,416,705	3,227,426	94.5%	189,279		3,416,705	100.0%
2004		3,503,597	3,393,955	96.9%	109,642		3,503,597	100.0%
2005		3,942,652	3,802,161	96.4%	129,960		3,932,121	99.7%
2006		4,017,681	3,917,891	97.5%	89,417		4,007,308	99.7%
2007		4,330,782	4,213,839	97.3%	102,296		4,316,135	99.7%
2008		4,462,371	4,303,042	96.4%	110,966		4,414,008	98.9%
2009		4,575,296	4,397,339	96.1%	88,907		4,486,246	98.1%
2010		4,649,809	4,471,852	96.2%	-		4,471,852	96.2%

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

**City of Walla Walla**  
**Local Sales and Use Taxable Retail Sales by Industry**  
 Last Ten Fiscal Years <sup>(1)</sup>

NAICS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
11 Agriculture, Forestry, Fishing and Hunting	276,610	359,840	499,205	521,464	790,750	815,183	964,952	281,795	367,460	259,086
21 Mining	-	-	-	-	-	-	47,059	-	-	-
22 Utilities	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	1,217,774
23 Construction	62,190,160	76,631,982	59,216,428	58,739,677	70,681,604	109,108,842	141,035,263	113,765,932	133,790,392	104,112,247
31-33 Manufacturing	9,642,130	9,815,876	9,369,367	10,693,914	13,005,316	12,809,101	11,253,131	11,858,393	14,620,878	12,497,611
42 Wholesale Trade	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	49,164,232
44-45 Retail Trade	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	195,968,182
48-49 Transportation and Warehousing	177,516	336,468	346,571	305,926	342,503	1,562,928	924,421	698,613	710,682	579,472
51 Information	24,982,484	24,547,948	23,480,482	19,955,687	19,938,659	20,481,230	23,078,867	22,905,585	23,523,134	23,595,659
52 Finance and Insurance	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	3,555,265
53 Real Estate and Rental and Leasing	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	8,374,609
54 Professional, Scientific, and Technical Services	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	7,788,402
55-62 Management, Education & Health Services	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	15,755,833
71 Arts, Entertainment, and Recreation	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	4,021,263
72 Accommodation and Food Services	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	66,520,917
81 Other Services (except Public Administration)	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	14,793,562
92 Public Administration	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	561,762
No Description given	247,273	102,190	-	17,219	-	-	-	-	-	-
<b>Total Local Sales and Use Taxable Retail Sales</b>	<b>399,883,518</b>	<b>427,366,187</b>	<b>406,205,192</b>	<b>408,301,917</b>	<b>436,361,762</b>	<b>490,500,803</b>	<b>533,650,692</b>	<b>532,116,998</b>	<b>558,422,675</b>	<b>508,765,876</b>
<b>City of Walla Walla Sales &amp; Use Tax Rates</b>										
Local Basic	0.425%	1,816,306	1,726,372	1,735,283	1,854,537	2,084,628	2,268,015	2,261,497	2,373,296	2,162,255
Local Optional	0.425%	1,699,505	1,726,372	1,735,283	1,854,537	2,084,628	2,268,015	2,261,497	2,373,296	2,162,255
Criminal Justice	0.100%	399,884	427,366	408,302	436,362	490,501	533,651	532,117	558,423	508,766
Public Safety	0.090%	-	-	367,472	392,726	441,451	480,286	478,905	502,580	457,889
Total City of Walla Walla Sales & Use Tax <sup>(2)</sup>	1.040%	<b>4,059,978</b>	<b>3,858,949</b>	<b>4,246,340</b>	<b>4,538,162</b>	<b>5,101,208</b>	<b>5,549,967</b>	<b>5,534,016</b>	<b>5,807,595</b>	<b>5,291,165</b>
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	<u>0.460%</u>									
Total Local Sales & Use Tax Rate	<u>8.300%</u>									

Source: WA State Department of Revenue

<sup>(1)</sup> 2009 is the latest annual data available.

<sup>(2)</sup> 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)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Revenues</u> <sup>(1)</sup>										
Charges for Water Services	\$ 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	\$ 8,250,027
Charges for Wastewater Services	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	7,498,277
Miscellaneous	120,138	110,096	-	38,132	54,075	126,987	232,037	630,000	13,215	148,685
Interest Income	705,744	401,948	335,205	381,508	486,544	671,947	652,295	510,695	273,287	216,771
Contributions	69,069	24,537	33,792	78,587	108,907	510,385	929,640	2,895,478	473,772	340,787
Total Revenues	\$ 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	\$ 16,454,547
<u>Expenses</u> <sup>(2)</sup>										
Personnel Services	\$ 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	\$ 1,386,383
Supplies	336,032	351,161	304,682	398,508	423,014	449,933	559,957	489,341	332,995	994,849
Services/Charges	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	994,849
Governmental Charges	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	5,026,399
Bad Debt Expense	7,423	908	46	8,584	2,676	573	439	298	1,238	568
Total Expenses	\$ 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	\$ 8,403,048
Net Revenue of System	\$ 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	\$ 8,051,499

<sup>(1)</sup> Excludes transfers-in

<sup>(2)</sup> Excludes depreciation, debt service and non-operating expenditures

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

**Water Utility Monthly Meter Charges**

Meter Size (inches)	2005	2006	2007	2008	2009	2010
3/4	\$16.36	\$17.54	\$18.07	\$18.61	\$19.08	\$20.40
1	32.57	34.91	35.96	37.04	37.97	40.60
1 1/2	65.24	69.92	72.02	74.18	76.03	81.40
2	104.46	111.96	115.32	118.78	121.75	130.30
3	195.53	209.56	215.85	222.33	227.89	243.80
4	326.12	349.53	360.01	370.81	380.08	406.70
6	655.70	702.80	723.88	745.60	764.24	817.70
8	978.38	1,048.60	1,080.06	1,112.46	1,140.27	1,220.10
10	1,304.40	1,398.02	1,439.96	1,483.16	1,520.24	1,626.70

**Water Utility Consumption Charges per 100 Cubic Feet**

Customer Class	2005	2006	2007	2008	2009	2010
Residential	\$0.92	\$0.99	\$1.02	\$1.05	\$1.08	\$1.16
Commercial	0.68	0.73	0.75	0.77	0.79	0.85
Industrial	0.72	0.77	0.79	0.81	0.83	0.89
Public	0.68	0.73	0.75	0.77	0.79	0.85

**Water Utility Connection Charges for Permanent Meters**

	2005	2006	2007	2008	2009	2010
Meter Installation Fee-3/4"	\$ 315.00	\$ 372.75	\$ 383.93	\$ 385.00	\$ 396.00	\$ 424.00
Meter Installation Fee-1" or larger	Actual cost	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	\$469.00 plus applicable fees
Service connection charge-larger than 1" service line	Actual cost	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**

Meter Size (inches)	2005	2006	2007	2008	2009	2010
5/8 & 3/4	N/A	\$1,785.00	\$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	2,981.00
1 1/2	N/A	5,944.00	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	9,514.00
3	N/A	19,046.00	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	29,810.00
Charge per fixture unit values	N/A	78.64	78.64	78.64	78.64	78.64

<sup>(1)</sup>Water Capital Facility Charges replaced connection fees in 2006

**Water Capital Facilities Functional Unit Cost Credit Factor**

Function	2005	2006	2007	2008	2009	2010
customer	N/A	40.82	40.82	40.82	40.82	40.82
fire storage	N/A	122.18	122.18	122.18	122.18	122.18
equalizing storage	N/A	91.23	91.23	91.23	91.23	91.23
emergency storage	N/A	91.23	91.23	91.23	91.23	91.23
supply	N/A	493.53	493.53	493.53	493.53	493.53
transmission & distribution	N/A	754.73	754.73	754.73	754.73	754.73
treatment	N/A	192.06	192.06	192.06	192.06	192.06
total	N/A	1,785.00	1,785.00	1,785.00	1,785.00	1,785.00

**Water and Wastewater Fixture Unit Values by Fixture Type**

Type of Fixture	Fixture Unit Value
Bar sink	1.0
Bath tub	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)**

Customers connected to the Wastewater Utility <sup>(1)</sup>	Total Monthly Charge					
	2005	2006	2007	2008	2009	2010
Residential	\$ 32.40	\$ 32.90	\$ 34.60	\$ 35.29	\$ 36.42	\$ 39.70
Multi-Family Residences (per unit)	19.60	19.60	20.73	21.14	21.82	23.80
Commercial	31.81	32.30	33.97	34.65	35.75	39.00
Public	38.30	39.31	40.90	41.72	43.05	46.90
Industrial	40.26	41.33	43.41	44.28	45.70	49.80
City of Walla Walla	9.49	10.12	10.12	10.32	10.65	11.60

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

Residential	\$23.41	\$ 23.62	\$ 25.02	\$ 25.52	\$ 26.34	\$ 28.70
Multi-Family Residences (per unit)	14.36	14.36	15.20	15.50	16.00	17.40
Commercial	23.07	23.29	23.99	24.47	25.25	27.50
Public	27.41	27.88	29.29	29.88	30.84	33.60
Industrial	28.77	29.27	31.04	31.66	32.67	35.60
City of Walla Walla	9.49	10.12	10.12	10.32	10.65	11.60

<sup>(1)</sup> 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 <sup>(2)</sup>**

	2005	2006	2007	2008	2009	2010
per total number of fixture unit values	N/A	\$109.00	\$109.00	\$109.00	\$109.00	\$109.00
strength component charge-BOD	N/A	16.87	16.87	16.87	16.87	16.87
strength component charge-total suspended solids	N/A	16.87	16.87	16.87	16.87	16.87
strength component charge-pH	N/A	6.75	6.75	6.75	6.75	6.75
Side sewer charge	750.00	750.00	772.50	750.00	774.00	774.00

<sup>(2)</sup>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		2010	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
<b>Water</b>												
Residential	8,346	87.1%	8,270	88.8%	8,405	89.0%	8,528	88.0%	8,512	89.0%	8,542	89.1%
Duplex			366	1.5%	368	1.5%	368	1.5%	375	1.5%	387	1.4%
3-4 Plex			129	8.7%	127	8.6%	127	9.6%	130	8.5%	133	8.5%
Satellite			28	0.1%	28	0.1%	30	0.1%	30	0.1%	29	0.1%
Residential	8,346	87.1%	8,793	88.8%	8,928	89.0%	9,053	88.0%	9,047	89.0%	9,091	89.1%
Multifamily	158	1.6%	149	1.5%	148	1.5%	157	1.5%	149	1.5%	146	1.4%
Commercial	989	10.3%	865	8.7%	863	8.6%	985	9.6%	865	8.5%	866	8.5%
Industrial	14	0.1%	12	0.1%	13	0.1%	12	0.1%	11	0.1%	11	0.1%
Public	78	0.8%	54	0.6%	54	0.6%	51	0.6%	60	0.7%	64	0.7%
COWW			30	0.3%	29	0.3%	29	0.3%	33	0.4%	32	0.4%
Public	78	0.8%	84	0.8%	83	0.8%	80	0.8%	93	0.9%	96	0.9%
Total	9,585	99.9%	9,903	99.9%	10,035	100.0%	10,287	100.0%	10,165	100.0%	10,210	100.0%

	2005		2006		2007		2008		2009		2010	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
<b>Wastewater</b>												
Residential	8,312	87.3%	7,312	89.5%	7,409	89.5%	7,574	89.3%	7,853	89.3%	7,879	89.4%
Duplex			347	1.6%	350	1.6%	353	1.6%	365	1.6%	376	1.5%
3-4 Plex			124	8.0%	123	8.1%	123	8.2%	126	8.2%	126	8.2%
Residential	8,312	87.3%	7,783	89.5%	7,882	89.5%	8,050	89.3%	8,344	89.3%	8,381	89.4%
Multifamily	158	1.7%	143	1.6%	145	1.6%	147	1.6%	149	1.6%	145	1.5%
Commercial	960	10.1%	700	8.0%	712	8.1%	734	8.2%	767	8.2%	766	8.2%
Industrial	14	0.1%	4	0.0%	4	0.0%	5	0.1%	6	0.1%	6	0.1%
Public	74	0.8%	41	0.4%	43	0.4%	43	0.4%	54	0.5%	56	0.5%
COWW			29	0.3%	21	0.2%	27	0.3%	20	0.2%	22	0.2%
Public	74	0.8%	70	0.8%	64	0.7%	70	0.8%	74	0.8%	78	0.8%
Total	9,518	100.0%	8,700	99.9%	8,807	99.9%	9,006	100.0%	9,340	99.7%	9,376	100.0%

	2001		2002		2003		2004		2005		2006		2007		2008		2009		2010			
	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
<b>Water/Wastewater</b>																						
Residential	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%	9,091	89.1%	9,091	89.1%	
Multifamily								158	1.5%	149	1.5%	148	1.5%	157	1.5%	149	1.5%	146	1.4%	146	1.4%	
Commercial								989	9.7%	865	8.7%	863	8.6%	985	9.6%	865	8.5%	866	8.5%	866	8.5%	
Total Comm'l/Multifamily	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%	1,012	9.9%	1,012	9.9%	
Industrial	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%	11	0.1%	11	0.1%	
Public	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%	96	0.9%	96	0.9%	
Total	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%	10,210	100.0%	10,210	100.0%	

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</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	16,813,648
Special assessment bonds	420,000	305,000	135,000	-	-	-	-	-
Business-type activities								
Water bonds	25,870,000	24,415,000	23,440,000	21,920,000	20,280,000	18,555,000	16,750,000	18,740,400
Wastewater bonds	5,300,000	4,740,000	4,165,000	3,540,000	2,885,000	2,255,000	1,900,000	5,749,600
Water/Wastewater bonds	31,170,000	29,155,000	27,605,000	25,460,000	23,165,000	20,810,000	18,650,000	24,490,000
Water loans	867,368	758,947	704,737	650,526	596,315	542,104	487,894	433,683
Wastewater loans	23,598,161	22,221,012	21,023,087	20,551,798	24,145,349	24,518,019	23,143,331	21,414,981
Water/Wastewater loans	24,465,529	22,979,959	21,727,824	21,202,324	24,741,664	25,060,123	23,631,225	21,848,664
Landfill bonds	-	-	2,973,000	2,903,238	2,728,476	2,548,714	2,362,558	4,976,400
Golf Course bonds	-	-	367,000	353,114	339,228	325,341	309,470	293,600
Total primary government	59,707,079	60,111,509	60,443,037	56,885,979	57,408,221	54,618,710	61,850,629	68,422,312
Percentage of personal income <sup>(1)</sup>	4.16%	4.03%	4.00%	3.53%	3.25%	2.89%	3.27%	3.62%
Per capita	\$ 2,010	\$ 1,971	\$ 1,973	\$ 1,855	\$ 1,858	\$ 1,742	\$ 1,957	\$ 2,154

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

<sup>(1)</sup> See the schedule of Demographics and Economic Statistics for personal income and population data.

*Used 2008 personal income, latest available data, to calculate "percentage of personal income" for 2009 and 2010*

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</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	22,083,648
Less: Amounts available in debt service fund	318,374	305,448	-	13,395	30,067	378,254	52,032	71,227
Net total	3,333,176	7,366,102	10,975,213	10,210,260	9,471,490	8,370,333	19,517,372	22,012,421
Percentage of estimated actual taxable value of property	0.29%	0.61%	0.88%	0.81%	0.62%	0.47%	0.95%	1.13%
Per capita	\$ 112	\$ 242	\$ 358	\$ 333	\$ 307	\$ 267	\$ 617	\$ 693

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 132 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, 2010

<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	-	-	16,813,648
County <sup>(1)</sup>	-	-	-
Port District	5,594,586	41.1%	2,299,375
School district	25,260,000	72.3%	18,262,980
Subtotal overlapping debt	<u>30,854,586</u>		<u>20,562,355</u>
Total direct and overlapping debt			<u><u>\$ 37,376,003</u></u>

Debt repaid with property taxes:  
City of Walla Walla direct debt

County<sup>(1)</sup>  
Port District  
School district  
Subtotal overlapping debt

Total direct and overlapping debt

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.

<sup>(1)</sup> The County of Walla Walla had zero outstanding GO debt as of December 31, 2010. Contact the County office for more information.

**City of Walla Walla**  
**Legal Debt Margin Information**  
 Last Eight Fiscal Years\*

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	86,807,506	92,690,109	94,856,688	114,244,962	134,592,549	153,402,999	145,609,896	149,228,859
Total net debt applicable to limit	3,925,951	348,117	283,117	118,952	3,158,745	5,372,488	15,755,381	16,059,413
Legal debt margin	82,881,555	92,341,992	94,573,571	114,126,010	131,433,804	148,030,511	129,854,515	133,169,446
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%	12.1%

**Legal debt margin calculation for fiscal year 2010**  
 Total assessed value January 2010

1,989,718,123

**2.5% general purposes limit is allocated between:**

49,742,953

*Up to 1.5% debt without a vote (councilmatic)*

29,845,772

(6,075,385)

-

-

4,735,972

28,506,359

19,897,181

(14,720,000)

-

-

5,177,181

49,742,953

-

-

-

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

49,742,953

**2.5% utility purpose limit, voted**  
 Less: outstanding debt  
 Less: contracts payable  
 Add: available assets  
**Equals remaining debt capacity- utility purpose, voted**

**2.5% utility purpose limit, open space park and capital facilities, voted**  
 Less: outstanding debt  
 Less: contracts payable  
 Add: available assets  
**Equals remaining debt capacity- park & facilities, voted**

**Total Legal Debt Margin**  
 133,169,446

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 Eight Fiscal Years\***

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Water Bonds</b>								
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	8,559,110
Less: Operating expenses	3,807,283	3,223,531	3,944,866	3,600,320	3,470,349	3,787,470	3,815,868	4,942,764
Net available revenue	2,589,896	3,972,649	3,672,999	4,711,638	5,434,839	5,642,669	4,573,702	3,616,346
Debt service:								
Principal	177,400	1,509,211	1,549,211	1,574,211	1,694,211	1,779,211	1,859,211	1,954,211
Interest	1,098,037	1,135,992	1,065,653	914,881	873,630	818,980	747,919	728,109
Payment	1,275,437	2,645,203	2,614,864	2,489,092	2,567,841	2,598,191	2,607,130	2,682,320
Coverage	2.03	1.50	1.40	1.89	2.12	2.17	1.75	1.35
<b>Wastewater Bonds</b>								
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	7,746,752
Less: Operating expenses	3,403,485	2,915,893	3,158,905	3,057,561	3,254,778	3,245,210	3,683,383	3,975,952
Net available revenue	2,331,136	3,459,832	3,711,270	3,800,795	4,415,994	4,238,635	3,818,931	3,770,800
Debt service:								
Principal	197,600	1,678,168	1,802,926	1,846,289	1,900,620	1,946,124	2,038,762	2,093,348
Interest	202,941	784,478	733,690	679,261	642,119	624,081	598,800	636,608
Payment	400,541	2,462,646	2,536,616	2,525,550	2,542,739	2,570,205	2,637,562	2,729,956
Coverage	5.82	1.40	1.46	1.50	1.74	1.65	1.45	1.38
<b>Water/Wastewater Bonds</b>								
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	16,305,862
Less: Operating expenses	7,210,768	6,139,424	7,103,771	6,657,881	6,725,127	7,032,680	7,499,251	8,918,716
Net available revenue	4,921,032	7,432,481	7,384,269	8,512,433	9,850,833	9,881,304	8,392,633	7,387,146
Debt service:								
Principal	375,000	3,187,379	3,352,137	3,420,500	3,594,831	3,725,335	3,897,973	4,047,559
Interest	1,300,978	1,920,470	1,799,343	1,594,142	1,515,749	1,443,061	1,346,719	1,364,717
Payment	1,675,978	5,107,849	5,151,480	5,014,642	5,110,580	5,168,396	5,244,692	5,412,276
Coverage	2.94	1.46	1.43	1.70	1.93	1.91	1.60	1.36
<b>Special Assessment Bonds</b>								
Special assessment collections	228,603	130,100	163,625	217,947	82,782	55,098	17,149	15,850
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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2 Population - City	29,500	29,550	29,710	30,500	30,630	30,660	30,900	31,350	31,610	31,770
2 Population - County	55,200	55,400	55,800	56,700	57,500	57,900	57,900	58,600	59,200	59,600
City as percent of County	53%	53%	53%	54%	53%	53%	53%	53%	53%	53%
1 County personal income (in 1,000s)	1,383,878	1,357,002	1,436,963	1,490,030	1,509,707	1,612,032	1,766,564	1,892,502	N/A	N/A
2 County per capita personal income	25,062	24,274	25,471	26,125	26,476	28,165	30,718	32,546	N/A	N/A
2 County median family income	41,469	40,903	41,733	42,519	43,237	45,555	45,439	44,425	44,793	44,006*
3 County median age	35.05	35.26	35.55	35.81	36.10	36.25	36.37	36.48	36.66	36.95
4 Percent with high school degree or higher	N/A	N/A	N/A**							
5 School enrollment	N/A	6,182	6,215	6,274	5,993	6,068	6,016	6,004	6052	6159
6 County unemployment rate	6.5%	6.9%	7.0%	6.2%	5.8%	5.4%	4.7%	4.9%	6.5%	7.4%

Sources:

- 1 Bureau of Economic Analysis
- 2 Prepared by Port of Walla Walla
- 3 Washington Office of Financial Management
- 4 U.S. Census Bureau - State and County QuickFacts
- 5 School District/Office of the Superintendent of Public Instruction
- 6 Port of Walla Walla 2001-2009, WA State Workforce 2010

N/A - Information is not available at this time.

\* The Revenue Forecast Council's September 2010 forecast of the state personal income is used in the projection of 2010 median household income.

\*\* 2010 Census results have not been reported on the website at this time

**City of Walla Walla**  
**Top Ten Principal Employers**  
**Total Headcount**  
**Previous Year and Nine Years Prior**

	2009 <sup>(1)</sup>			2001 <sup>(2)</sup>		
	<u>Employees</u>	<u>Rank</u>	<u>% of total employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of total employment</u>
<u>Employer within the City</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:

<sup>(1)</sup>2009 - Most recent "Annual Largest Employer" data survey available by Port of Walla Walla

\*Used 2009 "average" total employment to calculate percentage from WA State Workforce website.

<sup>(2)</sup>2001 is the oldest data survey available by Port of Walla Walla



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

Function	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>Governmental activities:</u></b>								
General Government	33	30	32	34	35	38	37	35
Public Safety								
Police								
Officers	37	37	38	38	42	44	44	42
Civilians	15	14	15	16	11	11	11	11
Fire								
Officers	33	36	32	32	32	32	32	30
Civilians	3	2	2	2	1	1	2	1
Emergency dispatch	17	17	17	17	17	17	17	17
Utilities and environment	20	22	20	22	22	23	29	18
Transportation	8	8	14	14	12	12	12	13
Economic environment	8	5	10	12	12	14	12	10
Culture and recreation	35	33	33	34	34	32	31	24
Total governmental activities	209	204	213	221	218	224	227	201
<b><u>Business-type activities:</u></b>								
Ambulance	16	17	17	19	22	22	17	18
Golf Course	0	0	0	0	0	0	0	0
Landfill	7	8	8	8	8	8	10	10
Sanitation	16	18	17	16	16	16	15	13
Stormwater	5	5	5	5	5	5	5	6
Wastewater	4	4	4	4	4	4	4	4
Water	18	19	19	17	16	16	18	16
Total business-type activities	66	71	70	68	71	71	69	67
Total primary government	275	275	283	289	289	295	296	268

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 Ten Fiscal Years**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>City Attorney</b>										
Requests for Legal Service	150	197	186	185	201	195	167	167	181	164
Total Walla Walla District Court Hearings	2,987	3,136	3,615	3,971	3,956	4,434	5,186	3,673	5,097	4,489
<b>Development Services</b>										
Permits processed for Building/	1,776	1,867	1,983	1,981	1,815	1,349	1,069	1,386	1,139	911
Construction value of permits completed	\$25,770,000	\$21,894,929	\$7,458,554	\$38,370,956	\$85,965,177	\$48,627,163	\$10,646,457	\$51,174,853	\$31,086,945	\$11,188,593
Code Enforcement complaints resolved	357	221	314	208	382	835	974	938	728	765
<b>Library</b>										
Questions Answered	71,057	71,369	70,217	54,213	53,035	51,543	57,550	57,554	48,400	48,825
Items Checked Out	231,751	233,912	266,939	222,984	225,273	246,255	266,017	284,061	305,827	306,763
Children's Storytimes/Program Attendance	11,770	11,675	11,968	10,692	9,584	9,637	11,423	13,435	11,613	9,503
Adult Programs Attendance	242	268	264	166	424	1052	1016	668	719	263
<b>Parks and Recreation Department</b>										
Meals served during the summer	11,000	13,558	15,264	24,909	20,012	19,900	18,761	20,296	21,447	19,494
Special Event permits issued	47	46	43	52	36	41	48	43	44	37
Visits to City's Pools	15,000	16,420	17,459	16,888	10,332	2283*	4,119	3,240	4,505	4,762
Attendance for City recreation programs	41,000	66,408	70,345	62,843	85,760	89,500	95,000	98,000	100,000	100,000
Burial services at Mountain View Cemetery	257	245	219	235	225	236	222	204	205	181
Picnic Area Reservations	n/a	n/a	208	170	127	207	186	156	161	185
<b>Fire Department</b>										
Fire Responses	181	181	213	105	137	85	139	136	138	100
Hazardous Incident Responses	82	79	91	142	120	129	120	177	82	64
Ambulance Responses	4,485	4,487	4,958	5,061	4,889	5,183	5,169	5,428	5,208	5,182
Ambulance Transported Patients	3,105	2,943	3,256	3,375	3,319	3,480	3,435	3,575	3,509	3,485
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	\$486,625
Estimated value of property saved	--	\$708,100	\$6,810,850	\$7,865,010	\$7,594,450	Unavailable	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	3,720
<b>Police Department</b>										
Requests for Service	23,308	22,053	22,760	21,227	20,745	20,445	20,480	20,232	19,320	19,879
Death Investigations/Attempted Suicides	70	46	85	68	59	56	83	86	71	118
Other calls	11,809	11,236	11,287	11,015	9,977	10,387	10,529	10,388	9,990	9,813
Accidents	1,140	1,031	1,034	1,045	1,029	943	1,097	1,065	1,126	1,013
Animal Calls	1,458	1,209	2,221	1,959	2,169	2,141	2,435	2,506	2,233	2,271
Volunteer Hours	3311	2,511	2,504	1,743	1,390	1,095	1,346	727	933	883
<b>Walla Walla Emergency Services</b>										
Total calls	Unknown	143,800	165,612	163,189	113,191	91,086	91,750	94,793	108,775	92,978
Calls for services dispatchers handled	87,604	95,408	92,955	91,687	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
9-1-1 calls	24,540	22,660	27,172	27,014	21,537	44,782	46,854	46,608	44,644	40,546

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Water</b>										
Linear feet of line replaced	3,059	1,384	806	2,326	1,298	2,075	2,703	4,860	4,352	6,741
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	4,345
Million gallons of water to customers	3,803	3,802	3,752	3,512	3,624	3,760	3,879	3,744	3,649	3,447
Meters installed	--	275	605	759	876	731	1,087	533	371	501
Leaks repaired to mains and services	--	79	85	105	81	80	68	116	182	232
<b>Wastewater</b>										
Linear feet of line replaced	3,146	1,817	615	594	440	530	2,142	1,778	1,860	7,121
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	1,820
Feet of sanitary sewer lines cleaned	374,755	700,112	771,935	649,398	770,722	663,354	680,312	709,526	369,595	729,624
<b>Stormwater</b>										
Feet of storm lines cleaned	54,943	42,973	44,372	38,323	55,658	57,708	35,410	48,069	17,490	28,332
<b>Streets</b>										
Linear feet of new streets added to	800	950	5,119	3,637	12,800	9,615	12,195	10,853	642	523
Utility street cuts patched	121	101	143	157	168	123	137	185	118	239
<b>Sanitation</b>										
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	3,015,180
Million pounds of waste collected	45	43	44	49	50	48	47	42	42	42
<b>Landfill</b>										
Tons of solid waste collected	55,000	56,870	60,393	66,391	57,983	60,935	89,919	67,000	58,692	47,219
Pounds of hazardous waste collected	55,264	105,000	134,617	137,687	151,131	131,967	140,152	104,869	110,254	113,644
Landfill courtesy passes used	3,072	4,068	4,072	4,238	3,977	2,781	1,738	1,545	1,502	1,452
Pounds of metal recycled at the Landfill	344,160	344,160	279,300	288,840	301,140	261,220	271,280	144,360	194,120	108,000
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**	1,514**
<b>Equipment Repair</b>										
Equipment Pool repairs performed	3,614	3,009	3,852	8,522	8,071	7,392	4,074	3,970	3,804	3,843
Number of equipment repair parts used	11,148	12,318	14,185	13,005	13,846	14,864	15,973	15,711	14,799	11,383

\*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

Sources: City of Walla Walla Public Works Department

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
<b>General Government</b>	1	1	1	1	1	1	1
City Hall							
<b>Public Safety</b>							
Police							
Station-in same building as City Hall	1	1	1	1	1	1	1
Patrol vehicles	13	13	13	13	14	14	14
Vans/Swat vehicles	2	2	2	2	3	2	2
Animal control vehicle	1	1	1	1	1	1	1
Parking control vehicle	1	1	1	1	1	1	1
Fire							
Stations	2	2	2	2	2	2	2
Pumpers	4	4	4	4	4	4	4
Other vehicles	6	7	9	10	11	12	9
Burn trailer	1	1	1	1	1	1	1
<b>Utilities and environment</b>							
Service center building	1	1	1	1	1	1	1
<b>Transportation</b>							
Streets square yds	N/A	N/A	1,477,033	1,530,281	1,539,372	1,542,350	1,552,827
<b>Culture and recreation</b>							
Library building	1	1	1	1	1	1	1
Carnegie Art Center	1	1	1	1	1	1	1
Parks Department							
Museum buildings	2	1	1	1	1	1	1
Complex w/concessions	1	1	1	1	1	1	1
Pool buildings	2	2	2	2	2	2	2
Other parks buildings	28	28	28	28	28	28	28
Parks	5	5	5	5	5	5	5
Sportsplex	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1
Mausoleum	2	2	2	2	2	2	2
<b>Ambulance</b>							
Ambulances	5	5	5	5	5	5	6
Other vehicle	0	0	0	1	1	1	1
Defibrillators	2	8	8	8	9	9	9
Backup generator	0	0	1	1	1	1	1
<b>Sanitation</b>							
Refuse collection vehicles	12	12	12	13	13	15	12
Leaf loaders	2	2	2	2	2	2	2
Other vehicles	2	2	3	2	2	2	3
<b>Water/Wastewater</b>							
Miles of Water Mains	174	177	180	183	185	188	190
Miles of Wastewater Mains	128	131	133	137	139	143	147
<b>Landfill</b>							
Active landfills (available acres)	970	970	970	970	970	970	970
Closed landfills (acres)	97	97	97	97	97	97	97
Composting facility	0	0	0	1	1	1	1
<b>Other business-type</b>							
Golf course	1	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 financial report presents other information as required by the State of Washington.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Required Schedules</b> (contained herein)	
Schedule 09 – Long Term Debt .....	140
Schedule 10 – Limitation of Indebtedness .....	142
Schedule 16 – Expenditure of Federal Awards and State/Local Federal Assistance .....	143
Schedule 17 – Public Works .....	146
Schedule 19 – Labor Relations .....	147
<b>Schedule Sent Electronically</b> (and not contained 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)	

**City of Walla Walla**  
**Schedule of Long-Term Debt**  
**For the Year Ended December 31, 2010**

Title	ID. No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 1/1/2010	Amounts Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amounts Redeemed Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/2010
1996 GO bonds - Series A	251.11	5/29/1996	12/01/10	115,000				115,000	58200.7100	516.400	0
1996 GO bonds - Deferred Series B	251.11	5/29/1996	12/01/15	579,403				115,755	58200.7100	516.400	463,648
2001 Refunding GO bonds	251.11	9/26/2001	12/01/12	690,000				430,000	59989.7110	010.990	130,000
								130,000	59195.7110	250.000	
2004 GO bond - Fire station	251.12	4/01/2004	12/01/21	3,665,000				205,000	59195.7110	250.000	3,460,000
2005 GO bond-Street Construction	251.11	5/01/2005	12/01/24	252,973				12,973	59195.7110	250/320	240,000
2009 GO bond-Police Station	251.12	12/1/2009	12/01/29	11,595,000				335,000	59195.7110	250.000	11,260,000
2010 GO & Refunding bond series	251.11	6/22/2010	12/01/29		12,170,000	39110	010.122				12,170,000
						39300	010.990				
						38210	416.390				
						38210	418.390				
						38210	419.345				
<b>Total General Obligation Bonds</b>	<b>Total</b>			<b>16,897,376</b>	<b>12,170,000</b>			<b>1,343,728</b>			<b>27,723,648</b>

**City of Walla Walla**  
**Schedule of Long-Term Debt**  
**For the Year Ended December 31, 2010**

Schedule 09  
Page 2 of 2

Business Activities	ID. No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 01/01/2010	Additions	Reductions	Ending Balance 12/31/2010
<u>Water/Sewer Revenue Bond Payments</u>							
Water Bond 2002	252.11	5/08/2002	08/01/12	5,805,000		1,830,000	3,975,000
Water Bond 2005	252.11	5/01/2005	08/01/17	10,945,000		70,000	10,875,000
<b>Total Water</b>				<b>16,750,000</b>	<b>0</b>	<b>1,900,000</b>	<b>14,850,000</b>
WW Bond 2002	252.11	5/08/2002	08/01/12	705,000		230,000	475,000
WW Bond 2005	252.11	5/01/2005	08/01/17	1,195,000		135,000	1,060,000
<b>Total Wastewater</b>				<b>1,900,000</b>	<b>0</b>	<b>365,000</b>	<b>1,535,000</b>
Landfill Bond 2005	252.11	5/01/2005	12/01/19	2,362,557		191,157	2,171,400
Golf Course Bond 2005	252.11	5/01/2005	12/01/24	309,470		15,870	293,600
<b>Total Bonds</b>				<b>21,322,027</b>	<b>0</b>	<b>2,472,027</b>	<b>18,850,000</b>
<u>External Loan repayments</u>							
Water							
97-78897-038	263.67	1998	10/1/18	487,894	0	54,211	433,683
L9900019A	263.67	2000	12/30/20	8,842,357		689,293	8,153,064
PW-99-791-038	263.67	1999	7/1/19	3,728,984	0	372,898	3,356,086
PW-02-691-060	263.67	2002	7/1/22	3,616,265	0	278,174	3,338,091
PW-06-962-PRE-103	263.67	2006	7/1/2011	475,463	0	27,968	447,495
PW-07-962-018	263.67	2007	7/1/2027	6,480,260		360,014	6,120,246
<b>Total Wastewater</b>				<b>23,143,329</b>	<b>0</b>	<b>1,728,348</b>	<b>21,414,981</b>
<b>Total Loans</b>				<b>23,631,223</b>	<b>0</b>	<b>1,782,559</b>	<b>21,848,664</b>
<b>Grand Total</b>				<b>44,953,250</b>	<b>0</b>	<b>4,254,586</b>	<b>40,698,664</b>

City of Walla Walla  
Schedule of Limitation of Indebtedness  
As of December 31, 2010

<b>Total Taxable Property Value as of January 2011</b>	1,989,718,123	
<b>1 2.5% general purposes limit is allocated between:</b>	49,742,953	
2 <i>Up to 1.5% debt without a vote (councilmanic)</i>	29,845,772	
3 Less: outstanding debt	(6,075,385)	
4 Less: contracts payable	-	
5 Less: excess of debt with a vote	-	
6 Add: available assets	4,735,971	
7 <b>Equals: remaining debt capacity without a vote</b>	28,506,358	28,506,358
8 <i>1% general purpose debt with a vote</i>	19,897,181	
9 Less: outstanding debt	(14,720,000)	
10 Less: contracts payable	-	
11 Add: available assets	-	
12 <b>Equals remaining debt capacity with a vote</b>	5,177,181	5,177,181
13 <b>2.5% utility purpose limit, voted</b>	49,742,953	
14 Less: outstanding debt	-	
15 Less: contracts payable	-	
16 Add: available assets	-	
17 <b>Equals remaining debt capacity- utility purpose, voted</b>	49,742,953	49,742,953
18 <b>2.5% utility purpose limit, open space park and capital facilities, voted</b>	49,742,953	
19 Less: outstanding debt	-	
20 Less: contracts payable	-	
21 Add: available assets	-	
22 <b>Equals remaining debt capacity- park &amp; facilities, voted</b>	49,742,953	49,742,953

**CITY OF WALLA WALLA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2010

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		59,147		<u>59,147</u>
	<u>Total US Department of Agriculture</u>					<u>\$59,147</u>
US Department of Housing and Urban Development Indirect award from WA State Dept of Commerce	Community Development Block Grants	14.228	08-F6401-025	268,000		<u>268,000</u>
	<u>Total US Department of Housing and Urban Development</u>					<u>\$268,000</u>
US Department of Justice Indirect Award from WA State Dept of Commerce	Violence Against Women Formula Grants	16.588	2009-WF-AX-0004	11,408		11,408 Note 2
	Violence Against Women Formula Grants	16.588	2010-WF-AX-0021	2,583		2,583 Note 2
	<u>Total US Department of Justice Indirect Awards</u>					<u>\$13,992</u>
US Department of Justice Direct Programs	Bulletproof Vest Partnership Program	16.607	1121-0235		1,579	1,579
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0137		12,305	12,305
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0968		23,008	<u>23,008</u>
	<u>Total US Department of Justice</u>					<u>\$36,892</u>
US Department of Justice Direct Programs	ARRA - Public Safety Partnership and Community Policing	16.710	2009-RK-WX-0899		84,047	84,047 Note 9
	ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-1027		5,196	5,196 Note 9
	<u>Total ARRA - US Department of Justice</u>					<u>89,243</u>
Federal Highway Administration Indirect Award from WA Department of Transportation	Highway Planning and Construction	20.205	LA-6000	595,970		595,970
	Highway Planning and Construction	20.205	LA-6653	1,611		1,611
	Highway Planning and Construction	20.205	LA-7124	33,149		<u>33,149</u>
	<u>Total Federal Highway Administration</u>					<u>\$630,730</u>
Federal Highway Administration Indirect Award from WA Department of Transportation	ARRA - Highway Planning and Construction	20.205	ARRA-7169(001)	1,297,161		1,297,161 Note 9
	<u>Total ARRA - Federal Highway Administration</u>					<u>\$1,297,161</u>
US Department of Transportation Indirect Award from WA Traffic Safety Commission	State and Community Highway Safety	20.600	LEL	3,371		3,371
	Alcohol Impaired Driving Countermeasures Incentive	20.601	n/a	5,726		5,726
	Occupant Protection Incentive	20.602	n/a	1,708		<u>1,708</u>
	<u>Total US Department of Transportation</u>					<u>10,804</u>
US Department of Homeland Security Direct Award from	Assistance to Firefighters Grant	97.044	EMW-2009-FO-01302		120,596	<u>120,596</u>
	<u>Total US Department of Homeland Security</u>					<u>\$120,596</u>
US Department of Homeland Security Indirect Award from Walla Walla County	Homeland Security Grant Program	97.067	E09-148	12,205		12,205
	<u>Total US Department of Homeland Security</u>					<u>\$12,205</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				<u>\$2,292,038</u>	<u>\$246,730</u>	<u>\$2,538,769</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, 2010

Grantor	Program Title	Other ID Number	Current Year Expenditures
Department of Commerce Direct Award			
	Innovative Partnership Award	S08-97205-003	211,452
	<u>Total Department of Commerce Direct Award</u>		<u>\$211,452</u>
Military Department Indirect Award from Walla Walla County			
	Washington State Enhanced 911 Program	E09-065	364,425 Note 2
	<u>Total Indirect Military Department</u>		<u>\$364,425</u>
Office of Superintendent of Public Instruction			
	Summer Food Service Program for Children	n/a	1,680 Note 2
	<u>Total WA State Office of Superintendent of Public Instruction</u>		<u>\$1,680</u>
Department of Natural Resources			
	Arbor Day Tree Planting	n/a	127 Note 2
	<u>Total Department of Natural Resources</u>		<u>\$127</u>
Department of Corrections			
	13th Ave Corridor Improvements	n/a	451,206 Note 2
	<u>Total Department of Corrections</u>		<u>\$451,206</u>
Department of Ecology Direct Award			
	Tire Collection Events	C1100026	5,060
	Coordinated Prevention Grant - Solid Waste Enforcement	G1000471	30,835 Note 2
	Coordinated Prevention Grant	G1000498	89,927 Note 2
	Phase II Stormwater Pass-through Grant	G1000274	50,000 Note 2
	Stormwater Capacity Grant - Local Toxics Control Account	G1100113	153,981 Note 2
	<u>Total Department of Ecology</u>		<u>\$329,804</u>
Department of Health			
	EMS Trauma	n/a	2,186 Note 2
	<u>Total Department of Health</u>		<u>\$2,186</u>
Transportation Improvement Board			
	Urban Sidewalk Program	P-E-176(P04)-1	2,581 Note 2
	Urban Sidewalk Program	P-E-176(P02)-1	30,500 Note 2
	Urban Arterial Program	8-4-176(021)-1	208,516 Note 2
	<u>Total Transportation Improvement Board</u>		<u>\$241,597</u>
	<u>TOTAL STATE ASSISTANCE</u>		<u>\$1,602,477</u>
Walla Walla County			
	Intergovernmental Drug Revenue	n/a	4,500
	<u>Total Walla Walla County</u>		<u>\$4,500</u>
Columbia County			
	Intergovernmental Drug Revenue	n/a	4,500
	<u>Total Walla Walla County</u>		<u>\$4,500</u>
Port of Walla Walla			
	Moore St Water Main Improvements	n/a	97,507 Note 2
	<u>Total Port of Walla Walla</u>		<u>\$97,507</u>
Walla Walla School District			
	Sharpstein School Zone Flashing Beacon	n/a	1,004 Note 2
	<u>Total Walla Walla School District</u>		<u>\$1,004</u>
	<u>TOTAL LOCAL ASSISTANCE</u>		<u>\$107,511</u>
	<u>TOTAL STATE AND LOCAL ASSISTANCE</u>		<u>\$1,709,988</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, 2010**

1. Total current public work construction budget as amended (annual or biennial as applicable)	<u>34,577,080</u>
2. Allowable portion of total public works (10 percent of line 1)	<u>3,457,708</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>3,457,708</u>
5. Total public works projects performed by public employees during the current year (include work performed by a county)	<u>873,530</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>1,053,010</u>
7. Restricted under (over) allowable amount (line 4 minus line 5 minus line 6)	<u>2,584,178</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, 20 10

Has your government engaged labor relations consultants?  Yes \_\_\_ No

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

Name of Firm <u>Summit Law Group</u>
Name of Consultant <u>Bruce Schroeder</u>
Business Address <u>315 Fifth Ave South Suite 1000 Seattle, WA 98104-2682</u>
Amount Paid to Consultant During Fiscal Year _____
Terms and Conditions, as Applicable, Including: Rates (E.g., hourly, etc.) <u>\$280.00 / billable hrs.</u>
Maximum Compensation Allowed _____
Duration of Services <u>January 1 - December 31, 2010</u>
Services Provided <u>Legal Consultation and services related to Labor Relations</u>

Certified Correct this <u>26<sup>th</sup></u> day of <u>January</u> , 20 <u>11</u> to the best of my knowledge and belief:
Signature <u>J Seekamp</u>
Name <u>Jennifer Seekamp</u>
Title <u>HR manager</u>

EFF DATE  
01-01-10

SUPERSEDES  
01-01-08

BARS MANUAL: VOL PT CH PAGE  
1 4 8 58