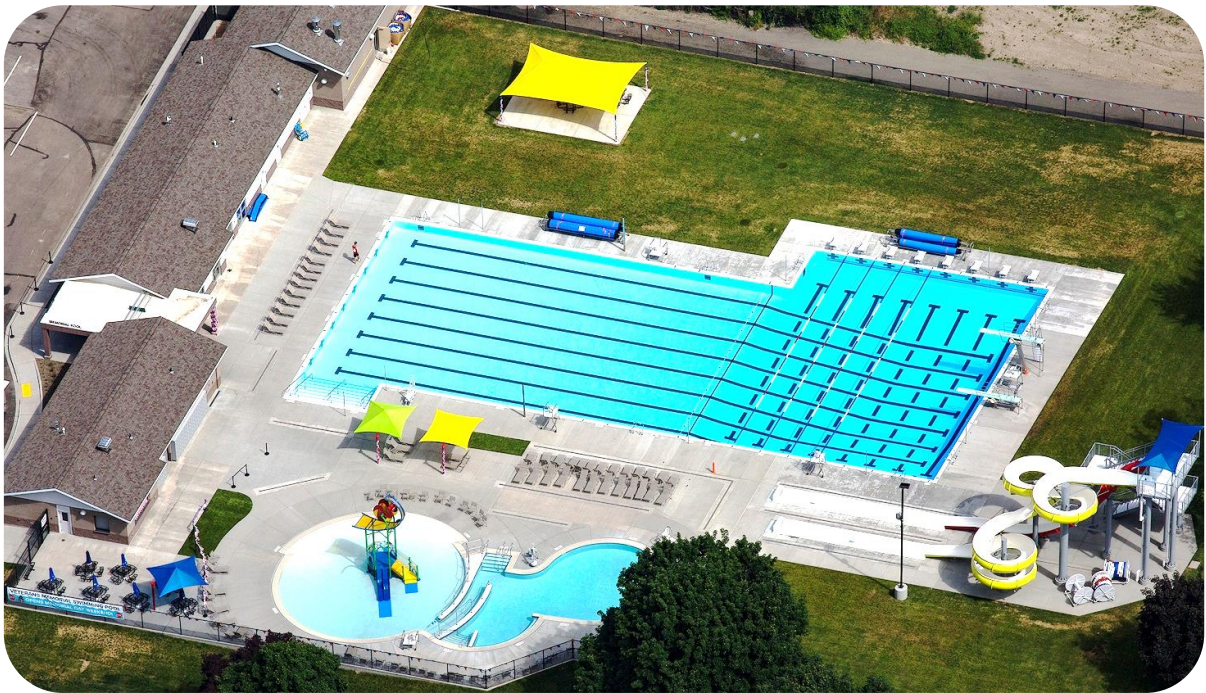




City of Walla Walla



Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2017

CITY OF WALLA WALLA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
December 31, 2017**

**Prepared by:
Finance Department**

15 N 3rd Ave

Walla Walla, WA 99362

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Veterans Memorial Pool
Photo Credit: Gregg Teasdale

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



“A strong and effective culture is foundational to success.”

-C. Douglas McMillion
CEO, Walmart



CITY HALL – 15 N 3rd Ave
Walla Walla, WA 99362
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FAX (509) 524-7921

June 27, 2018

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Walla for the fiscal year ended December 31, 2017. This report is published as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the Washington State Auditor's Office.

The CAFR is 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, 2017.

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 Washington State Auditor's Office. The goal of this independent audit was to provide reasonable assurance that the financial statements of the City of Walla Walla for the fiscal year ended December 31, 2017 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's financial statements for the fiscal year ended December 31, 2017, 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 2017 population is 33,840.

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 Council's adopted mission statement, core values and vision statement are as follows:

Mission: Provide municipal services and programs essential to a desirable community in which to live, work and play.

Core Values: Customer Focus/Service – Excellence – Stewardship – Communication – Leadership - Integrity

Vision: The best of the best of the Northwest.

The City's adopted strategic plan consists of four strategies aimed at infrastructure improvements; financial resiliency; external and internal communications; and public safety. The 2017-18 Biennium Budget was developed, adopted, and modified with the guidance of those strategies.

The City of Walla Walla provides a full range of municipal services, including police and fire protection; emergency medical services; street maintenance and construction and other infrastructure; development services; parks and recreation and library services; water, wastewater, sanitation, storm water, and landfill utilities; a golf course; and a cemetery.

The 2017-18 Biennial Budget served as the foundation for the City of Walla Walla's financial planning and control for the City. All departments of the City of Walla Walla are required to submit requests for appropriation to the City Manager in early July of the year preceding the biennium. The City Manager uses these requests as the starting point for developing a proposed budget. Prior to October, the City Manager presents this proposed budget to the Council for review. 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 fund. 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 as part of the required supplementary information.

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, manufacturing firms, higher education, health care, trade, tourism and government. Its economic base continues to diversify from its historical dependence on agriculture to other major employers. The City serves as the marketing, trading, health and educational hub for over 70,000 people in southeastern Washington and northeastern Oregon.

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. The County has approximately two-thirds of its acreage classified as suitable for the growing of crops, with about 645,121 acres of tillable land in the County. Agriculture accounts for 13% of the total wages in the County.

The County's most important commercial crop is wheat, ranking among the top in the state in the crop's production. Other significant local crops include asparagus, peas, alfalfa hay, wine grapes, 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 vineyards. WW is a highly desirable destination for lovers of wine, food, art, history and outdoor recreation with an ever-increasing reputation nationally and globally. More than 130 wineries and over 2,000 acres of planted vineyards are located in the Walla Walla Valley. Wineries employ over 2,000 employees in wine production and wine tourism. Steady growth in the tourism traffic has led to the construction of new hotels and other amenities, with total visitor spending topping \$119MM by over one-million visitors in 2017.

Food Processing and Manufacturing The primary livestock farming activity in the County is beef cattle production. Tyson Foods, Inc. operates a large beef packing plant in Wallula, 35 miles from the City, and employs over 1,300 workers. Broetje Orchards is among the larger orchards in the County with up to 2,400 people employed in the growing, packing, and shipping of apples. Cliffstar produces fruit juices sold by grocery chains under store labels. Key Technology produces automated optical sorting and quality management equipment for the food processing industry, serving domestic and international customers and employing approximately 350 full-time employees. Nelson Irrigation Corporation manufactures agricultural and turf irrigation equipment and currently employs approximately 170 people. Boise Inc. has a labor force of over 600 at its 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 and Providence St. Mary's Medical Center. Walla Walla General Hospital was acquired by Providence St. Mary's Medical Center. Complete diagnostic and treatment services, as well as emergency and trauma care, are provided at these facilities. At the VA Campus new clinic facilities were recently constructed; a residential

rehabilitation center; and a specialty care services facility. The Walla Walla Veterans Home added approximately 100 health care jobs to the community.

Government The City is the location of several major government installations including the Walla Walla County seat; 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 Walla Walla Veterans Administration Medical Center; 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 revised 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 and in 2011 as the "Friendliest Town in America". The continuing development of downtown envisions more premium wine shops, fine dining and lodging, and an artists' quarter, all in an active retail core which is supported by a solid employment base and downtown residences.

Walla Walla Town Center Mall, a regional retail center is scheduled to open in 2018 to serve southeast Washington, northeast Oregon and southwest Idaho. After several years of an interrupted major renovation, the new Walla Walla Town Center owners are actively engaged in recruiting retail businesses to Walla Walla. National and regional retailers have been identified and contracted or in negotiations for contract to fill the planned spaces. Three retail stores have opened as of June 2018 with additional stores scheduled for opening in July and August.

Tourism Largely spawned by the growing wine industry and enhanced by the interest in heritage and recreation, tourism has become a significant industry for Walla Walla. Lodging and other related tourism businesses have grown significantly in the last several years adding further diversity to the local economy. A new La Quinta Inn & Suites opened in 2017. In addition, several boutique hotels are proposed for the downtown area.

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 often unpredictable and dynamic demands and limitations that present themselves to public agencies. In general, the government utilizes diverse funding sources in the form of taxes and fees to fund public safety, community programs and streets.

In the enterprise funds, planning looks five, ten, or twenty years ahead to anticipate growth trends; infrastructure renewal and expansion; and unfunded mandates. Additionally, the Water and Wastewater enterprise continues its program of major infrastructure repair and replacement (IRRP). The IRRP has become a major component of the infrastructure improvement plan for water, wastewater and stormwater. In 2015, the Water Division started construction on a full-scale refurbishing of its treatment plant including the addition of long-term treatment of its surface water source. In 2018, the Wastewater Division will begin an upgrade to the wastewater treatment plant.

The landfill operation continues to grow and diversify with the addition of its methane gas flaring facility and plans for gaining the enterprise revenue from related carbon credits. The composting facility continues to do well, accepting green waste and producing and selling its compost products. Remediation of Area 5 was completed in 2017 and monitoring of the landfill will be an ongoing project for the next several years. As part of the remediation effort, the City applied for and was awarded a Model Toxics Control Act grant through the State of Washington Department of Ecology.

The City is 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 Visit Walla Walla.

The City continues to fund minor street overlay and repair projects, scheduling such work on an annual basis. In 2011, the City formed the City of Walla Walla Transportation Benefit District (TBD) to better provide the funding for repair of its streets. In 2012 voters approved a 0.2% increase in the sales tax to fund such repairs, and the City began collecting the tax revenues and planning streets projects. The City continues to partner with various agencies including Walla Walla County; the City of College Place; Umatilla County and the City of Milton-Freewater; and other agencies to form the Walla Walla Valley Metropolitan Planning Organization (MPO). The City's major IRRP continued, replacing and repairing aging water and sewer pipes; stormwater features; and street paving, all funded by utility rate payers. 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 June 2016, the City Council approved the issuance of bonds to replace approximately 11,000 water meters with smart water meters, install two radio towers, and purchase and install software to measure the water usage. This project was completed in December 2017 and will help the City more accurately record water usage and will provide better customer service by allowing the City to identify potential leaks in the system.

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 Local Government Investment Pool (LGIP). 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.

Investments: 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 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.

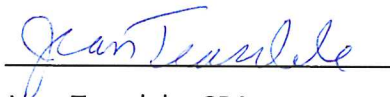
Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance 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,



Nabil Shawa
City Manager



Jean Teasdale, CPA
Finance Director



Government Finance Officers Association

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, 2016

Christopher P. Morill

Executive Director/CEO

Walla Walla City Council



Seated (l-r):	Length of Service	Term Expires
Jim Barrow <i>Mayor Pro-Tem</i>	10 years	12/31/17
Allen Pomraning <i>Mayor</i>	4 years	12/31/17
Barbara Clark <i>Council Member</i>	20 years	12/31/19
Standing (l-r):		
Steve Moss <i>Council Member</i>	2 years	12/31/19
Richard “Dick” Morgan <i>Council Member</i>	4 years	12/31/17
Jerry Cummins <i>Council Member</i>	26 years	12/31/19
Tom Scribner <i>Council Member</i>	2 years	12/31/19

Walla Walla Senior Management

Appointed Officials

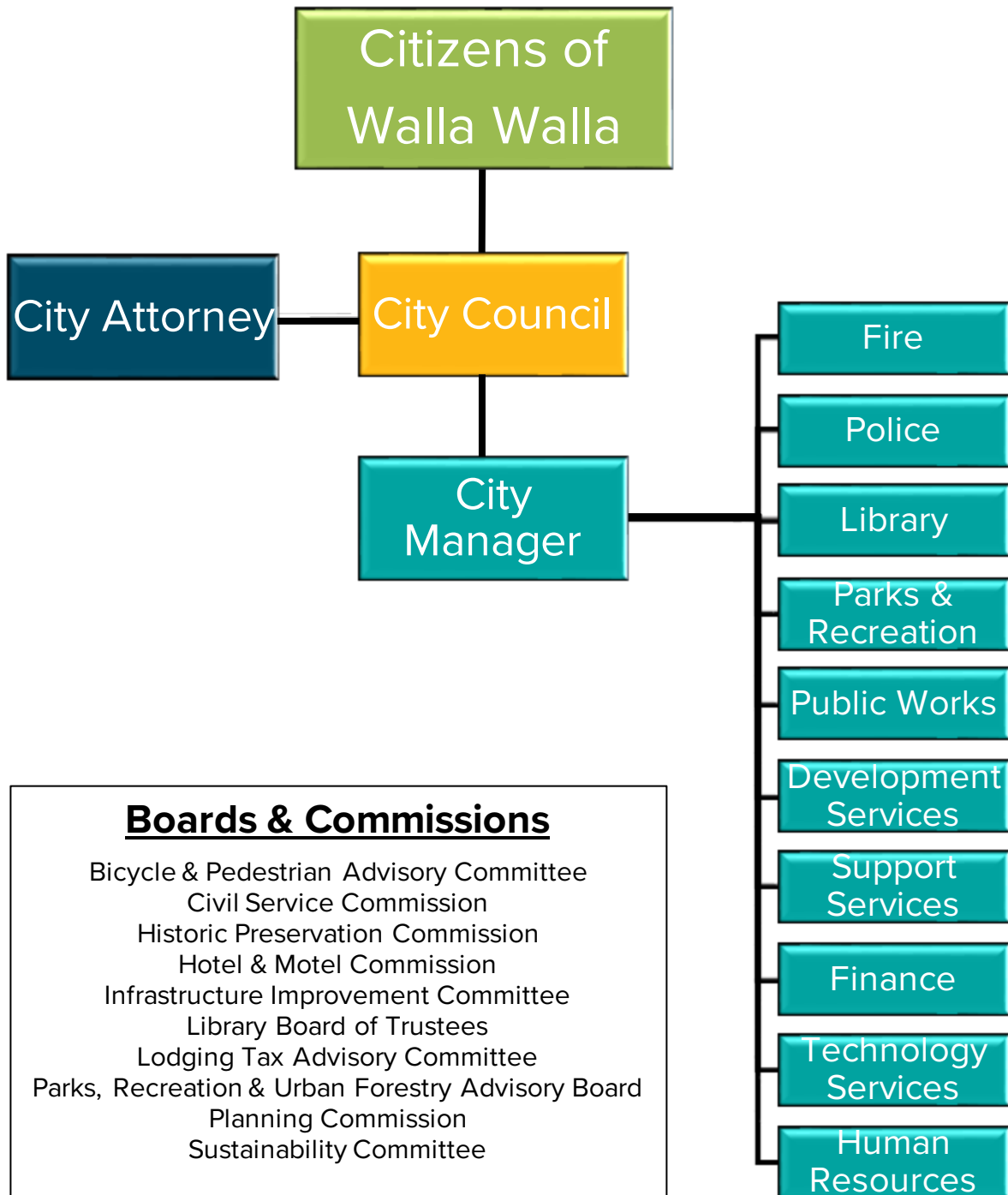


CITY MANAGER
Nabil Shawa
 Appointed October, 2009

	Length in Position	Length of Employment
CITY ATTORNEY <i>Tim Donaldson</i>	21 years	21 years
CITY CLERK <i>Kammy Hill</i>	23 years	23 years
DEPUTY CITY MANAGER <i>Byron Olson</i>	10 months	10 months
DEVELOPMENT SERVICES DIRECTOR <i>Elizabeth Chamberlain</i>	3 years	3 years
FINANCE DIRECTOR <i>Jean Teasdale</i>	8 years	8 years
FIRE CHIEF <i>Bob Yancey</i>	6 years	31 years
HUMAN RESOURCES DIRECTOR <i>Pam Taylor</i>	3 years	3 years
LIBRARY DIRECTOR <i>Beth Hudson</i>	7 years	26 years
PARKS & RECREATION DIRECTOR <i>Andy Coleman</i>	8 months	18 years
POLICE CHIEF <i>Scott Bieber</i>	5 years	5 years
PUBLIC WORKS DIRECTOR <i>Ki Bealey</i>	7 years	7 years
TECHNOLOGY SERVICES DIRECTOR <i>Christopher Owen</i>	2 years	16 years

City of Walla Walla

Organizational Chart





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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 27, 2018

Mayor and Town Council
City of Walla Walla
Walla Walla, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Walla Walla, Walla Walla County, Washington, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Walla Walla, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 21 to the financial statements, in 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement 77, *Tax Abatement Disclosures*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory and Statistical Sections are presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 27, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



Pat McCarthy

State Auditor

Olympia, WA

“Do every job you’re in like you’re going to do it for the rest of your life, and demonstrate that ownership of it.”

-Mary Barra
CEO, General Motors

CITY OF WALLA WALLA

Management's Discussion and Analysis December 31, 2017

The City of Walla Walla's management provides this section of the City's Comprehensive Annual Financial Report to the reader as an overview and analysis of the City of Walla Walla's financial activities for the year ended December 31, 2017. The purpose of the Management's Discussion and Analysis (MD&A) is to highlight significant financial issues, major financial activities, changes in financial position, and economic factors affecting the City. To best understand the City's financial activities, we encourage readers to consider the MD&A in conjunction with information provided in the letter of transmittal, basic financial statements, and notes to the financial statements. **All amounts in this section, unless otherwise indicated, are expressed in thousands of dollars.**

FINANCIAL HIGHLIGHTS

- As of December 31, 2017, the City of Walla Walla's assets and deferred outflows of resources exceed liabilities and deferred inflows by \$183,554 (net position). Of this amount, \$17,434 represents unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors. Restricted net position totals \$2,914 and includes restricted amounts for capital improvements and debt service.
- The City's total net position increased by \$8,659 over 2016. Business-type activities contributed an increase of \$5,508, while governmental-type activities increased by \$3,151. The overall financial position of the City improved during 2017, which continues a conservative growth trend over the past several years.
- At the close of the current fiscal year, the City of Walla Walla's governmental funds reported combined ending fund balances of \$8,615 a decrease of \$726 from 2016. The decrease is a result of an unexpected property tax levy revenue reduction and a decrease in general sales and use tax revenues. The City will recover the property tax revenue in a 2018 refunding levy.
- Total unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) for the general fund was \$4,092, or approximately 13.4% of total general fund 2017 expenditures.
- The City of Walla Walla's total outstanding long-term debt decreased by \$1,215 during the current fiscal year because the City's regularly scheduled principal reductions on existing long-term outstanding debt was more than its new debt issuance. Limited Tax General Obligation bonds were issued in 2017 to provide financial resources for building Landfill Area 7 Cell 3.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City of Walla Walla's basic financial statements. The financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information to provide additional detail in support of the basic financial statements.

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 financial position in a manner like that of a private-sector business.

The statement of net position presents financial information for all City of Walla Walla assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The statement of activities presents information showing how the City of Walla Walla's net position changed during the most recent fiscal year. All changes in net position 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 for some items, which will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City of Walla Walla that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Walla Walla include general government, public safety, utilities and environment, transportation, economic environment, culture and recreation, and social services. The business-type activities of the City of Walla Walla include water/wastewater, stormwater, sanitation, landfill, golf course, ambulance, and vehicle equipment maintenance and replacement services.

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. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Walla Walla, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City of Walla Walla's funds are 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 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 statement of net position and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Walla Walla maintains 24 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, the only major fund in 2017. Data from the remaining 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual fund statements elsewhere in this report.

The City of Walla Walla adopts a biennial budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Funds: The City of Walla Walla maintains two 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 among the City of Walla Walla's various functions.

The City uses internal service funds to account for the management of its health and industrial insurance, equipment maintenance and replacement, emergency communication, and service center functions. Of those, the health and industrial insurance, emergency communication, and service center services predominantly benefit government activities (rather than business-type functions) and 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 proprietary fund financial statements provide separate information for the sanitation, water/wastewater, and landfill, which are presented as major funds. Data from the other three enterprise funds, stormwater, golf course, and ambulance, and the internal service funds are combined into two single, aggregated presentations in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedule section of this report.

Fiduciary Funds: Fiduciary funds are held by the City as a trustee or agent for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City of Walla Walla's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Walla Walla maintains two different types of fiduciary funds. The fire pension trust fund and the fire medical benefit trust fund are used to report resources held in trust for retirees and beneficiaries covered by the Public Safety Employees' LEOFF 1 Pension Plan.

Notes to the Financial Statements. The notes provide additional information essential to a full understanding of data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents:

- A. Required Supplemental Information (RSI) - RSI provides budgetary comparisons for the general fund and other governmental funds. It also presents the City's funding progress for the Washington State Retirement Systems pension, the firefighters' pension trust fund, the firefighters' medical trust fund and Other Post-Employment Benefits (LEOFF Retiree Medical).
- B. Combining Statements – The combining statements provide additional detail for other governmental funds, non-major proprietary funds, internal service funds and fiduciary funds.
- C. Statistical Information – This section includes unaudited trends and demographic information about the City of Walla Walla.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated earlier, net position over time, may serve as a useful indicator of a government's financial position. At the close of 2017, the City of Walla Walla's assets and deferred outflows exceeded liabilities and deferred inflows by \$183,554.

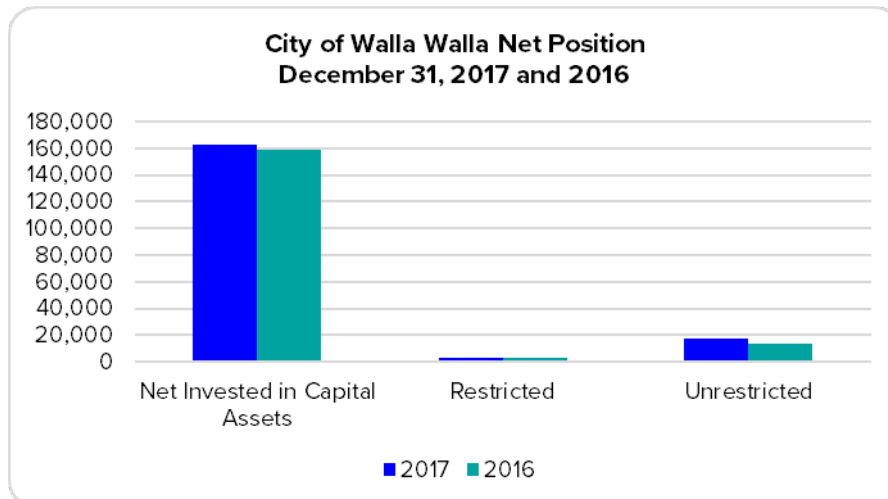
Statement of Net Position. The following is a summary of the City’s net position as of December 31, 2017, with comparison to 2016:

City of Walla Walla's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	Restated 2016	2017	Restated 2016	2017	Restated 2016
Current and other assets	\$19,946	\$18,605	\$46,600	\$38,324	\$66,546	\$56,929
Capital assets	81,582	79,328	118,274	113,552	199,856	192,880
Total assets	101,528	97,933	164,874	151,877	266,402	249,809
Total deferred outflows of resources	2,038	3,157	459	796	2,497	3,953
Other liabilities	2,936	3,412	9,697	3,727	12,633	7,139
Noncurrent liabilities	35,718	37,712	33,661	33,052	69,379	70,765
Total liabilities	38,654	41,125	43,358	36,779	82,013	77,904
Total deferred inflows of resources	2,706	910	627	54	3,333	964
Net position:						
Net investment in capital assets	64,521	61,166	98,685	97,730	163,206	158,895
Restricted	2,914	2,440	-	487	2,914	2,927
Unrestricted	(5,228)	(4,550)	22,662	17,622	17,434	13,072
Total net position	\$62,206	\$59,055	\$121,347	\$115,839	\$183,554	\$174,895

*The City of Walla Walla had a prior period adjustment due to a change in accounting method for property taxes and an excise tax refund, please see Note 25 for details.

The largest portion of the City of Walla Walla’s net position \$163,206 (88.9%) reflects its investment in capital assets (e.g. buildings, machinery, equipment, infrastructure, and construction-in-progress) less related outstanding debt used to acquire those assets. The City of Walla Walla uses these capital assets to provide services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Walla Walla’s investment in capital assets is reported net of related debt, it should be noted that the resources used 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 position \$2,914 (1.6%) represents resources subject to external restrictions on how they may be used. The remaining balance of \$17,434 (9.5%) is unrestricted and will be used to meet the government’s ongoing obligations to its citizens and creditors. At the end of 2017, the City of Walla Walla reported positive balances in all three categories of net position for the government. The same situation held true for the prior fiscal year.



The City of Walla Walla's overall net position increased \$8,659 (5.0%) from 2016. The reasons for this increase will be discussed in the following sections.

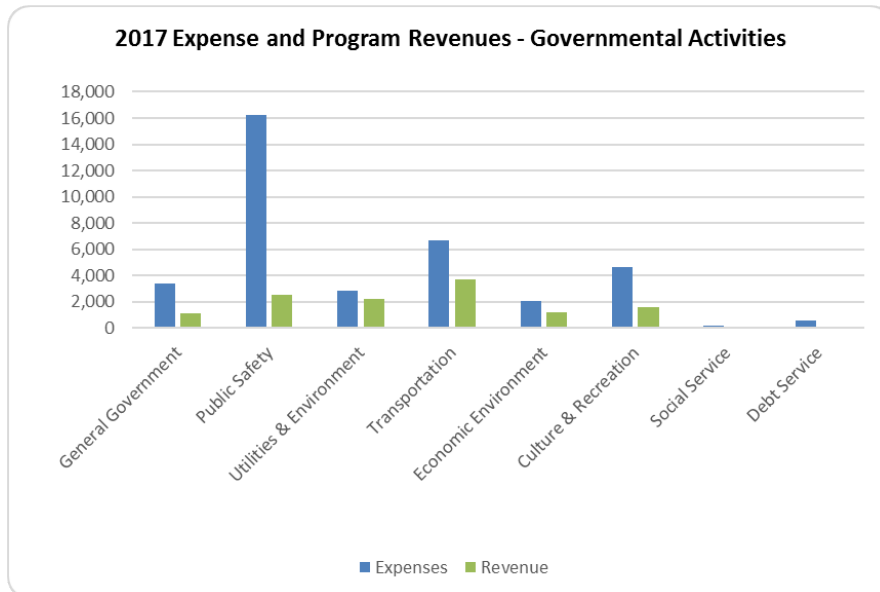
Governmental Activities. During the current fiscal year, net position for governmental activities increased \$3,151 (5.3%), compared to the 2016 net position of \$59,055, for an ending balance of \$62,206. Total assets from governmental activities increased by \$3,595 (3.7%) over 2016. Current and other assets increased by \$1,341 (7.2%), mainly due to an increase in the City's net pension asset of \$2,603 (119.3%). Capital assets increased by \$2,254 (2.8%), the most significant reason for this increase is the completion of the City's Veteran's Memorial Pool in 2017. Total governmental activities liabilities decreased by \$2,470 (6.0%) from 2016. Other liabilities decreased by \$476 (13.9%) and noncurrent liabilities decreased by \$1,994 (5.3%), the main sources of the decrease in noncurrent liabilities is a reduction of \$1,642 (20.5%) in pension liability from 2016 and regularly scheduled payments of the City's long-term debt.

Statement of Activities and Change in Net Position. The following is a condensed summary statement of activities and change in net position as of December 31, 2017, with comparison to 2016:

City of Walla Walla's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for service	\$5,710	\$4,722	\$37,381	\$36,080	\$43,091	\$40,801
Operating grants/contributions	3,334	988	2,235	1,840	5,570	2,828
Capital grants/contributions	3,375	6,158	2,036	2,169	5,411	8,326
General revenues:						
Property tax general	5,696	6,091	-	-	5,696	6,091
Property tax debt service	1,400	1,487	-	-	1,400	1,487
Sales and use taxes	8,831	8,815	-	-	8,831	8,815
Other taxes	8,548	8,204	-	-	8,548	8,204
Grants and contributions not restricted to specific programs	607	-	-	-	607	-
Other revenues	375	3,381	321	1,808	696	5,189
Total revenues	37,877	39,845	41,973	41,897	79,850	81,743
Expenses:						
General government	3,380	3,308	-	-	3,380	3,308
Public safety	16,210	15,991	-	-	16,210	15,991
Utilities and environment	2,852	2,709	-	-	2,852	2,709
Transportation	6,686	6,556	-	-	6,686	6,556
Economic environment	2,086	956	-	-	2,086	956
Culture and recreation	4,619	4,776	-	-	4,619	4,776
Social services	155	4	-	-	155	4
Interest on long-term debt	553	1,395	-	-	553	1,395
Ambulance	-	-	3,057	3,186	3,058	3,186
Golf course	-	-	154	139	154	139
Landfill	-	-	3,969	2,473	3,969	2,473
Sanitation	-	-	5,440	5,374	5,440	5,374
Stormwater	-	-	2,052	1,661	2,052	1,661
Water/Wastewater	-	-	19,979	17,594	19,979	17,594
Total expenses	36,540	35,696	34,651	30,426	71,191	66,122
Increase in net position before transfers	1,337	4,150	7,321	11,471	8,659	15,621
Transfers	1,814	2,031	(1,814)	(2,031)	-	-
Increase in net position	3,151	6,180	5,508	9,440	8,659	15,621
Net position - beginning	59,055	59,540	115,839	105,567	174,895	165,106
Adjustment for prior period	-	(6,665)	-	833	-	(5,832)
Net position - ending	\$62,206	\$59,055	\$121,347	\$115,839	\$183,554	\$174,895

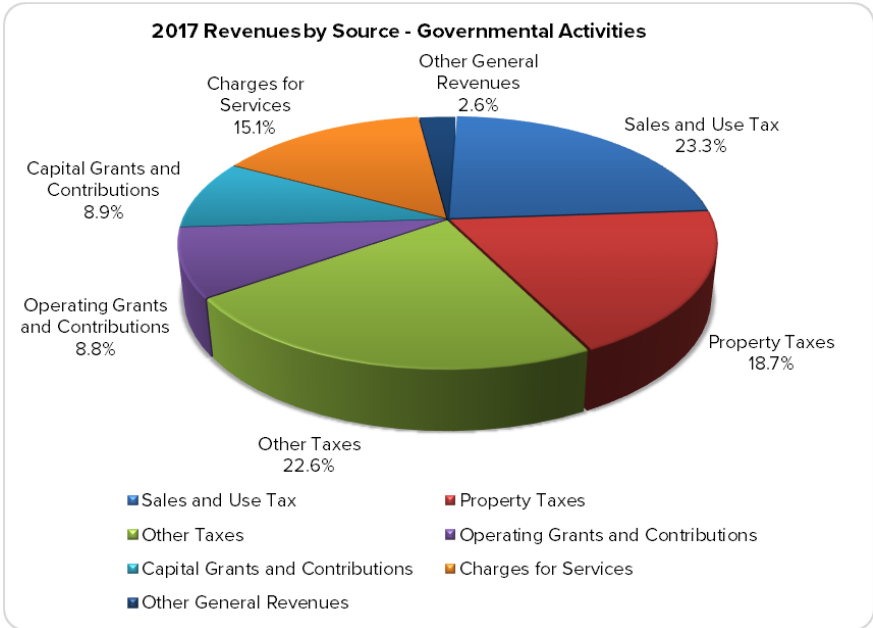
Business-type Activities. During fiscal year 2017, the City of Walla Walla’s business-type activities had a positive increase, which resulted in an ending fund balance of \$121,347. The total increase in net position for business-type activities was \$5,508 (4.8%) over fiscal year 2016. The increase in net position is largely attributed to rate increases for water/wastewater, sanitation, landfill and stormwater. As a result of these increases, revenues from utility funds charges for services increased by \$1,392 (4.0%) over 2016. Other liabilities for business-type activities increased by \$5,970 (160.2%) over 2016. The City obtained a \$7,300 short-term bond anticipation note for the capital construction expenses for the building of a new water treatment facility. The short-term financing was necessary because the original project funding from the State Department of Commerce was put on hold until the State Legislature adopted the 2018 capital budget. The entire balance of the short-term loan will be paid in 2018.

Governmental Activity Analysis. Governmental activities expenses totaled \$36,540 in 2017 against program generated revenue (excluding taxes and other general revenue) of \$12,420. Program revenue supports 34.0% of the governmental program costs, while the remaining 66.0% of governmental program costs are supported by general revenues (taxes and other general revenue). Governmental activities program generated revenues increased by 4.7% and expenses increased by 2.4% from 2016.

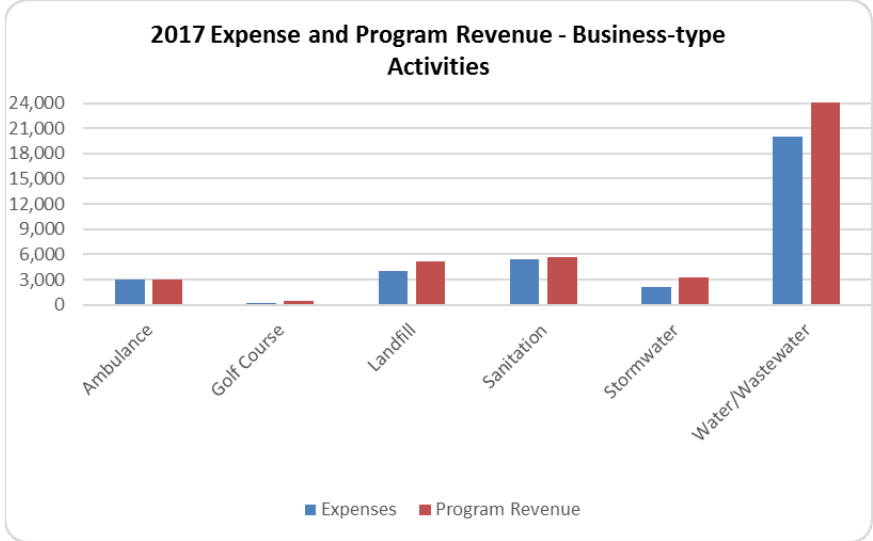


The chart above, displays the extent that the cost of each of the City’s governmental programs is supported by its own program generated revenue (fees, intergovernmental revenues, and contributions specifically related to that program). For example, public safety expenses are 44.4% of the total governmental activity costs, and generated 20.4% of the total governmental program revenues, which include traffic citations, parking citations, criminal charges, miscellaneous court fees, fire services, fire inspections and operating grant contributions.

The following chart displays the source breakdown for all revenues that fund governmental activities. Approximately 64.6% of the total governmental revenue activity is taxes. The largest governmental revenue source is sales and use tax 23.3% and the second largest source is other taxes 22.6%. Property taxes account for 18.7% of the City’s general governmental revenue. Program specific charges for services, grants and contributions generate 32.8% of the total revenue for general governmental activity. The remaining 2.6%, other general revenue includes interest, and miscellaneous revenue.



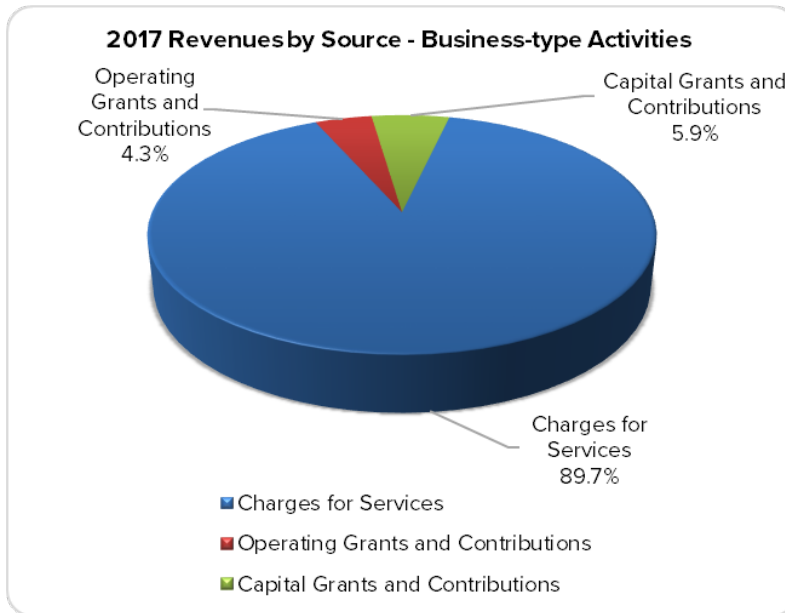
Business-type Activities Analysis. In comparison to the governmental funds, the primary sources of revenue for business-type activities are fees and charges for services. For business-type activity funds, the program revenue is higher than the program costs for all funds except the ambulance fund. State and federal mandated write-offs reduce the City’s ambulance revenue. In addition, ambulance costs for salaries and benefits continue to increase. The following chart illustrates the cost of each of the City’s business-type programs along with each programs’ revenue (fees, charges for services, and intergovernmental revenues related to each specific program).



- The water/wastewater fund generated \$22,680 in charges for services; its program expenses were \$19,979. The water/wastewater fund also received \$1,341 in grants, operating contributions and capital contributions from developers for a combined increase in net position of \$2,005 (2.2%) over 2016. All utility revenues increased due to rate adjustments. Program expenses increased due to employee costs, project costs, supplies and services.
- The stormwater fund generated \$3,268 in program revenues and \$2,052 of program expenses, which resulted in a \$1,217 (22.1%) increase in net position compared to 2016.

- The sanitation fund generated \$5,685 in program revenues and \$5,440 of program expenses, which resulted in a \$101 (8.9%) increase in net position compared to 2016.
- The landfill fund generated \$5,151 in program revenues and \$3,969 of program expenses, which resulted in a \$1,031 (27.9%) increase in net position compared to 2016.
- The golf course fund generated \$74 in charges for services and received \$435 in insurance recoveries because of a 2016 fire that destroyed the maintenance and storage facility. The facilities were replaced in 2017 but all expenses were capital in nature, which resulted in a \$413 (75.3%) increase in net position compared to 2016.
- The ambulance fund generated program revenues of \$3,018 and program expenses were \$3,057, which resulted in a decrease in net position of \$39 (8.0%) compared to 2016. Federal and State mandated Medicare and Medicaid write-offs significantly reduce ambulance revenues each year.

The following chart displays the source breakdown for all revenues that fund business-type activities. Approximately 89.7% of the total business-type activity is charges for services. Program specific grants and contributions generate 10.2% of total revenue for business-type activities.



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

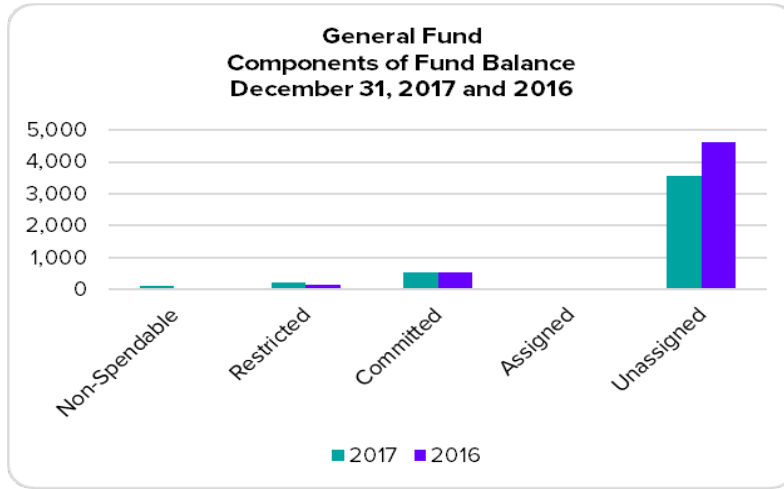
As noted earlier, the City of Walla Walla uses fund accounting to promote accountability and stewardship, as well as to demonstrate compliance with finance-related legal requirements.

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, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary spending. Unassigned fund balance represents the portion of fund balance which has not been limited to use for a specific purpose.

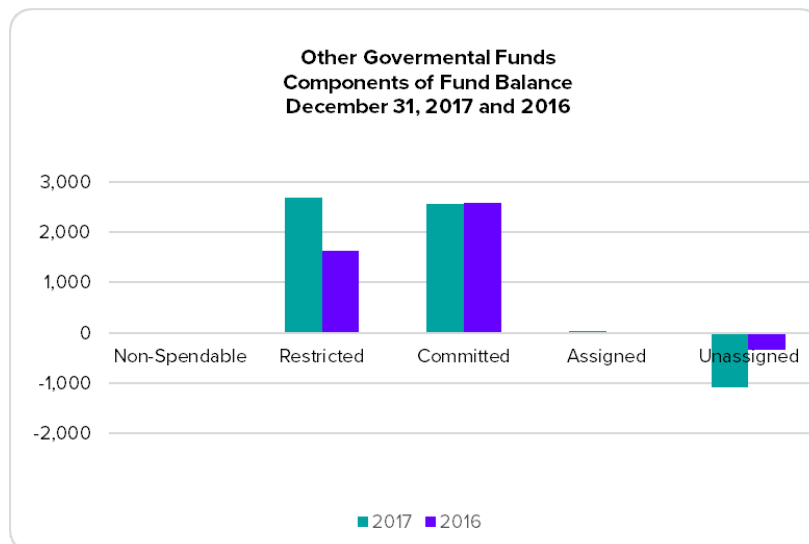
At December 31, 2017, the City of Walla Walla’s governmental funds reported combined ending fund balances of \$8,615, a decrease of \$726 (7.8%) in comparison with the prior year. The most significant portion of this decrease is a \$400 interfund loan payable between the general fund and vehicle replacement fund established in 2017 for security and safety upgrades to City Hall. Approximately

28.8% of ending fund balance (\$2,477) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$124), 2) restricted for specific purposes (\$2,886), 3) committed for purposes (\$3,099), or 4) assigned for purposes (\$29).

The general fund is the chief operating fund of the City of Walla Walla. At the end of 2017, unassigned and committed fund balances of the general fund were \$3,562 and \$530 respectively. The total fund balance decreased to \$4,407 during 2017. As a measure of the general fund’s liquidity, it is useful to compare both unassigned fund balance and total fund balance to total expenditures. Accordingly, the unassigned fund balance represents 11.6% of the total expenditures, while total fund balance represents 14.4% of that same amount.



The City’s general fund balance decreased by \$938 (17.6%) during the 2017 fiscal year. Key factors include total expenditures in the general fund increased by \$2,218 over 2016. Cost of living salary and benefit increases for City employees and increased support of the homeless services make up most of the expenditure increases. Total revenue for the general fund increased by \$1,586 compared to 2016. The increase in revenue in the general fund is primarily due the increase of \$736 (10.1%) in charges for services. Most of which can be attributed to the opening of Memorial Swimming Pool in May of 2017. In addition, the general fund had large increases in investment interest revenue and utility excise taxes. Overall revenues increased by 5.2% while total expenditures increased by 7.8%.



Other governmental funds have an overall unassigned deficit fund balance of \$1,085. The parks construction fund and LID bond fund had deficit fund balances of \$1,015 and \$70 respectively. Both fund deficits include outstanding capital construction interfund loan payable balances. During fiscal year 2017 the parks construction fund balance decreased by \$840. The large decrease was caused by spending of resources obtained through the issuance of long-term debt and private citizen contributions in the prior period that were spent on capital acquisition and construction of the Memorial Pool project during the current period.

The committed fund balance for other non-major governmental funds is \$2,569, which is due to the City’s established cemetery reserve fund and committed cash in the street fund for maintenance. For 2017, the year-end restricted fund balance is \$2,678, which is restricted for capital improvement, debt service, and drug related expenses. The assigned fund balance for other governmental funds is \$29.

Proprietary Funds. The proprietary fund statements report on an economic resource basis and provide the same type of information found in the government-wide financial statements; however, more detail is provided in the fund statements. The City reports both enterprise funds and internal service funds, which support the operations of the government.

Unrestricted net position for the major proprietary funds at year-end 2017 are as follows: landfill \$3,508, sanitation \$1,223 and water/wastewater was \$8,868. The total growth in these major proprietary funds net position were \$1,031, \$101, and \$2,005, respectively. As noted earlier, the increase in rates for landfill, sanitation, and water/wastewater during the current fiscal year were a significant reason for the increase in net position.

GENERAL FUND BUDGETARY HIGHLIGHTS (amounts not in thousands)

The City of Walla Walla budgets on a biennial process that adopts two one-year budgets at one time. 2017 was the first year of the 2017-2018 biennium. During this year there was a need for significant amendments to the original estimated budget for the following revenues:

- Reduced property tax revenue by \$205,000, due to an error in property assessment, the total amount will be collected in a 2018 refunding levy.
- Reduced sales tax revenue by \$600,000, as result of construction delays opening a new retail shopping complex and inclement weather at the beginning of 2017.
- Increased investment interest by \$185,000, an increase in the interest rate, and moving additional funds into investment opportunities outside of the Washington State LGIP.
- Increased Electric and Gas Business & Occupation tax by \$140,000, inclement weather at the beginning of 2017 resulted in higher revenue.
- Reduced Television and Telephone Business & Occupation tax by \$60,000, increased use of internet entertainment streaming providers caused a reduction of revenue from cable providers.

Final Budget Compared to Actual Results. The most substantial differences between estimated general fund revenues and actual revenues for fiscal year 2017 were as follows:

Revenue Source	Estimated Revenues	Actual Revenues	Difference
Licenses and permit	\$ 920,968	\$ 839,765	\$ (81,203)
Charges for services	8,301,044	8,006,654	(294,390)
Miscellaneous	946,888	1,028,557	81,669
Total	\$10,168,900	\$9,874,976	\$ (293,924)

The shortfalls in the licenses and permit revenue was caused by new building permits not increasing as expected. Charges for services were lower due to a reduction in administrative charges because general service expenses were lower than budgeted in 2017. The increase in miscellaneous revenues was due in large part to investment interest, the City placed addition funds in external investments with coupon rates of .0875% to 1.75%. In addition, the Washington State Local Government Investment Pool interest rates increased in from .06292% at the beginning of 2017 to 1.2766% at the end of 2017. On a whole, the general fund revenues, excluding transfers in, were \$8,048 over final appropriations.

All general fund departmental expenditures compared to the final 2017 budgeted appropriation yielded no significant variances. The general fund expenditures, excluding transfers out, were \$394,161 (1.3%) under final appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Walla Walla’s net investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$163,206 (net of accumulated depreciation). Capital asset investments include land, buildings, improvements, machinery, equipment, park facilities, roads, and bridges. The total increase in capital assets for the current fiscal year was \$6,976 (3.6%).

City of Walla Walla's Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$3,557	\$3,557	\$1,222	\$1,222	\$4,778	\$4,778
Construction in progress	957	7,034	5,906	4,530	6,863	11,564
Intangibles	-	-	225	225	225	225
Buildings	19,300	16,870	14,791	15,011	34,090	31,881
Improvements	8,051	4,691	6,775	4,621	14,825	9,312
Equipment	2,269	1,142	8,708	7,959	10,977	9,101
Infrastructure	47,449	46,035	80,647	79,984	128,097	126,019
Total Capital Assets	\$81,582	\$79,328	\$118,274	\$113,552	\$199,856	\$192,880

The large increase in governmental capital assets was due to the completion of the Memorial Pool project for \$7,822, which in turn caused a large decrease of \$6,077 (86.4%) in construction-in-progress. Business-type activities construction-in-progress increased by \$1,376 (30.4%). A majority of the increase is related to the capital construction project to improve the water treatment plant, during 2017 the City spent \$1,513; at year-end 2017, the total project expenses were \$5,171. Additional Capital asset information is in Note 6 of the footnotes

Debt Administration. At the end of 2017, the City of Walla Walla had total bonded debt outstanding of \$27,596 The City’s bonded debt is backed by the full faith and credit of the government. The remainder of the City of Walla Walla’s long-term obligations comprises capital leases, construction loans and special assessment interfund loans.

City of Walla Walla Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 16,580	\$ 17,653	\$ 11,017	\$ 9,106	\$ 27,596	\$ 26,759
Capital lease	-	-	203	203	203	203
Construction loans	-	-	8,614	10,631	8,614	10,631
Special assessment IF loan	107	142	-	-	107	142
Total	\$ 16,686	\$ 17,795	\$ 19,833	\$ 19,939	\$ 36,520	\$ 37,735

The City of Walla Walla's total debt decreased by \$1,215 (3.2%) during the 2017. The City had one new issuance of 2017 LTGO Series Debt with proprietary construction commitment and a face value of \$2,660. The new debt issuance was less than the regularly scheduled principal reductions on the City's existing outstanding debt.

The City of Walla Walla maintains an "AA" rating from Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 7.5% of the average full valuation. The current debt limitation for the City of Walla Walla is \$165,737,287, which is significantly more than City's outstanding general obligation debt. More detailed information regarding debt is in Note 11 and 13 of the footnotes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (amounts not in thousands)

The following economic factors affect the City of Walla Walla and were taken into consideration when developing the 2018 (second year of the biennium) fiscal year budget.

The local economy has experienced a construction growth in residential and commercial properties that is predicted to continue through the end of 2018. When the City of Walla adopted its 2017-2018 biennial budget in 2016, City administrators and City Council estimated revenue and expenses based on the economic outlook for 2017 and 2018. The City continually reviews its practices and streamlines processes as necessary.

A 10% increase in sales tax due to the opening of a new retail shopping center. A 1.8% increase in revenue derived from areas such as utility taxes and real estate excise taxes.

A general property tax increase of 6.7% to fund increases in recurring general fund expenditure obligations. Based on current information from the County Assessor's Office, the 2018 general property tax levy of \$6,383,256 on a 2017 assessed valuation of \$2,436,757,258, includes an increase of \$36,781,320 from new construction and an increase from annexed territory of \$38,932,854 over 2016.

Water, wastewater and stormwater rates will increase 3.9%, 2.4% and 5.6% respectively on January 1, 2018. Landfill rates will increase by 3.0% and sanitation rates are budgeted to increase by 3.0% on March 1, 2018. Ambulance base rates will not increase in 2018, for the seventh year in a row.

2018 employment contracts are settled for all the City of Walla Walla's unions.

Requests for Information. This financial report is designed to provide a general overview of the City of Walla Walla's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 15 N. 3rd Avenue, Walla Walla, WA 99362.

BASIC FINANCIAL STATEMENTS

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**City of Walla Walla
Statement of Net Position
December 31, 2017**

	Governmental Activities	Business Activities	Total
ASSETS			
Cash and equivalents	\$ 8,228,621	\$ 25,318,260	\$ 33,546,881
Investments	4,653,017	9,589,560	14,242,577
Other receivables (net of allowance)	1,224,128	4,162,934	5,387,062
Prepays	308,402	522,378	830,780
Taxes receivables	202,522	-	202,522
Special assessment receivable	77,561	-	77,561
Interest receivable	16,711	-	16,711
Pool pledged receivable	102,500	-	102,500
Notes receivable	-	46,707	46,707
Inventories	-	1,027,852	1,027,852
Restricted cash:			
Temporarily restricted	348,617	1,275,850	1,624,467
Permanently restricted	16,545	-	16,545
Restricted investments	562,860	3,100,000	3,662,860
Net pension asset	4,784,486	976,905	5,761,391
Interfund loans receivable (payable)	(1,351,835)	1,351,835	-
Internal balances receivable (payable)	772,050	(772,050)	-
Capital assets not depreciated:			
Land	3,556,599	1,221,574	4,778,173
Construction in progress	957,070	5,906,360	6,863,430
Intangibles	-	225,307	225,307
Capital assets net of accumulated depreciation:			
Buildings and structures	19,299,650	14,790,612	34,090,262
Other improvements	8,050,877	6,774,501	14,825,378
Machinery and equipment	2,268,911	8,707,756	10,976,667
Infrastructure	47,449,263	80,647,405	128,096,668
Total assets	\$ 101,528,555	\$ 164,873,746	\$ 266,402,301
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$ 1,451,296	\$ 458,990	\$ 1,910,286
Debt refunding	586,287	-	586,287
Total deferred outflows of resources	\$ 2,037,583	\$ 458,990	\$ 2,496,573
LIABILITIES			
Accounts payable	\$ 717,212	\$ 1,537,751	\$ 2,254,963
Other accrued liabilities	1,861,713	787,379	2,649,092
Interest payable	41,520	72,010	113,530
Unearned revenue	315,718	-	315,718
Short-term debt	-	7,300,000	7,300,000
Noncurrent liabilities:			
Due within one year	2,604,132	3,629,500	6,233,632
Due in more than one year	26,727,462	27,731,281	54,458,743
Net pension liability	6,386,376	2,300,468	8,686,844
Total liabilities	\$ 38,654,133	\$ 43,358,389	\$ 82,012,522
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 2,275,700	\$ 627,049	2,902,749
Special assessments	77,561	-	77,561
Pledged revenue for pool	102,500	-	102,500
Grants received in advance	249,886	-	249,886
Total deferred inflows of resources	\$ 2,705,647	\$ 627,049	\$ 3,332,696
NET POSITION			
Net investment in capital assets	\$ 64,520,591	\$ 98,684,992	\$ 163,205,583
Net position restricted for:			
Community services	935,039	-	935,039
Debt service	434,550	-	434,550
Capital projects	1,516,266	-	1,516,266
Library Trusts:			
Expendable	11,294	-	11,294
Nonexpendable	16,545	-	16,545
Net position unrestricted	(5,227,927)	22,662,306	17,434,379
Total net position	\$ 62,206,358	\$ 121,347,298	\$ 183,553,656

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, 2017**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,380,224	\$ 870,356	\$ 269,972	\$ -	\$ (2,239,896)		\$ (2,239,896)
Public safety	16,209,517	566,867	1,965,115	5,004	(13,672,531)		(13,672,531)
Utilities and environment	2,851,589	2,133,538	-	60,387	(657,664)		(657,664)
Transportation	6,685,530	244,820	849,744	2,636,702	(2,954,264)		(2,954,264)
Economic environment	2,085,639	1,174,266	13,000	-	(898,373)		(898,373)
Culture and recreation	4,618,624	720,504	236,606	673,000	(2,988,514)		(2,988,514)
Social services	155,435	-	-	-	(155,435)		(155,435)
Interest expense	553,079	-	-	-	(553,079)		(553,079)
Total governmental activities	<u>36,539,637</u>	<u>5,710,351</u>	<u>3,334,437</u>	<u>3,375,093</u>	<u>(24,119,756)</u>		<u>(24,119,756)</u>
Business-type activities:							
Ambulance	3,057,477	1,538,762	1,478,886	-		(39,829)	(39,829)
Golf course	154,029	73,949	435,221	-		355,141	355,141
Landfill	3,968,744	4,951,863	199,484	-		1,182,603	1,182,603
Sanitation	5,439,937	5,684,986	-	-		245,049	245,049
Stormwater	2,052,031	2,451,304	106,029	710,342		1,215,644	1,215,644
Water/Wastewater	19,979,217	22,679,888	15,725	1,325,595		4,041,991	4,041,991
Total business-type activities	<u>34,651,435</u>	<u>37,380,752</u>	<u>2,235,345</u>	<u>2,035,937</u>	<u>-</u>	<u>7,000,599</u>	<u>7,000,599</u>
Total primary government	<u>\$ 71,191,072</u>	<u>\$ 43,091,103</u>	<u>\$ 5,569,782</u>	<u>\$ 5,411,030</u>	<u>(24,119,756)</u>	<u>7,000,599</u>	<u>(17,119,157)</u>
General revenues:							
Taxes:							
Property tax, levied for general purposes					5,696,268	-	5,696,268
Property tax, levied for debt service					1,399,705	-	1,399,705
Sales and use taxes					8,831,118	-	8,831,118
Business and occupation taxes					3,105,232	-	3,105,232
Utility excise tax					4,544,087	-	4,544,087
Gambling taxes					71,829	-	71,829
Real estate excise taxes					452,590	-	452,590
Leasehold taxes					37,702	-	37,702
Tourism promotion tax					336,316	-	336,316
Grants and contributions not restricted to specific programs					607,280	-	607,280
Unrestricted investment earnings					366,756	39,206	405,962
Miscellaneous					8,410	236,280	244,690
Gain (loss) on sale of capital assets					-	45,399	45,399
Transfers					1,813,555	(1,813,555)	-
Total general revenues and transfers					<u>27,270,848</u>	<u>(1,492,670)</u>	<u>25,778,178</u>
Change in net position					3,151,092	5,507,929	8,659,021
Net position - beginning					65,720,274	115,006,608	180,726,882
Adjustment for prior period					(6,665,008)	832,761	(5,832,247)
Adjusted net position - beginning					<u>59,055,266</u>	<u>115,839,369</u>	<u>174,894,635</u>
Net position - ending					<u>\$ 62,206,358</u>	<u>\$ 121,347,298</u>	<u>\$ 183,553,656</u>

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

**City of Walla Walla
Balance Sheet
Governmental Funds
December 31, 2017**

	<u>General Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
ASSETS			
Cash and equivalents	\$ 2,682,545	\$ 4,103,923	\$ 6,786,468
Restricted cash and equivalents	-	365,162	365,162
Restricted investments	-	562,860	562,860
Investments	3,175,581	731,012	3,906,593
Taxes receivable (net)	164,423	38,099	202,522
Other receivables (net)	526,235	642,395	1,168,630
Special assessments receivable	-	77,561	77,561
Interest receivable	14,333	1,762	16,095
Pool pledged receivable	-	102,500	102,500
Interfund loan receivable	300,000	-	300,000
Prepays	107,272	-	107,272
Total assets	<u>\$ 6,970,389</u>	<u>\$ 6,625,274</u>	<u>\$ 13,595,663</u>
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES			
Liabilities:			
Accounts payable	\$ 379,685	\$ 267,432	\$ 647,117
Other accrued liabilities	1,327,716	435,345	1,763,061
Interfund loans payable	400,000	1,251,836	1,651,836
Unearned revenues	315,718	-	315,718
Total liabilities	<u>\$ 2,423,119</u>	<u>\$ 1,954,613</u>	<u>\$ 4,377,732</u>
Deferred inflows of resources:			
Property taxes	\$ 140,333	\$ 32,860	\$ 173,193
Special assessments	-	77,561	77,561
Pledged revenue for pool	-	102,500	102,500
Grants received in advance	-	249,886	249,886
Total deferred inflows of resources	<u>\$ 140,333</u>	<u>\$ 462,807</u>	<u>\$ 603,140</u>
Fund balances:			
Nonspendable	\$ 107,272	\$ 16,545	\$ 123,817
Restricted	207,807	2,678,048	2,885,855
Committed	529,558	2,568,986	3,098,544
Assigned	-	29,144	29,144
Unassigned	3,562,300	(1,084,869)	2,477,431
Total fund balances	<u>\$ 4,406,937</u>	<u>\$ 4,207,854</u>	<u>\$ 8,614,791</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,970,389</u>	<u>\$ 6,625,274</u>	

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

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

Total fund balances - governmental funds	\$	8,614,791
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		78,785,014
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(28,545,468)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		173,193
Internal service funds are used by management to charge the costs of health and industrial insurance and emergency communication services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		4,850,076
The net pension asset, liability, deferred outflows and deferred inflows are reported in the government-wide statements of net position but not in the governmental balance sheet.		(1,671,248)
Net position of governmental activities	<u>\$</u>	<u>62,206,358</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, 2017

	<u>General Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
REVENUES			
Sales tax	\$ 6,659,300	\$ 2,171,818	\$ 8,831,118
Property tax	5,702,472	1,438,776	7,141,248
Other tax	7,758,851	788,906	8,547,757
Licenses and permits	839,765	300,793	1,140,558
Intergovernmental revenues	1,965,967	2,827,644	4,793,611
Charges for goods and services	8,006,654	238,600	8,245,254
Fines and forfeitures	178,959	17,311	196,270
Miscellaneous revenues	1,028,557	790,920	1,819,477
Total revenues	<u>\$ 32,140,525</u>	<u>\$ 8,574,768</u>	<u>\$ 40,715,293</u>
EXPENDITURES			
Current:			
General government	\$ 8,099,759	\$ 6,828	\$ 8,106,587
Public safety	14,532,368	35,632	14,568,000
Utilities and environment	2,895,895	-	2,895,895
Transportation	-	3,632,075	3,632,075
Economic environment	766,557	1,335,005	2,101,562
Culture and recreation	4,128,877	121,806	4,250,683
Social services	155,435	-	155,435
Debt service:			
Principal retirement	-	1,073,539	1,073,539
Interest	-	544,262	544,262
Administrative charges	-	2,421	2,421
Capital outlay:			
General government	25,132	240,524	265,656
Public safety	14,968	10,000	24,968
Transportation	-	3,912,289	3,912,289
Culture and recreation	23,500	1,574,447	1,597,947
Total expenditures	<u>\$ 30,642,491</u>	<u>\$ 12,488,828</u>	<u>\$ 43,131,319</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,498,034</u>	<u>\$ (3,914,060)</u>	<u>\$ (2,416,026)</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, 2017

	<u>General Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 116,629	\$ 5,274,943	\$ 5,391,572
Transfers out	(2,558,054)	(1,148,598)	(3,706,652)
Insurance recoveries	5,059	-	5,059
Total other financing sources and uses	<u>\$ (2,436,366)</u>	<u>\$ 4,126,345</u>	<u>\$ 1,689,979</u>
Net change in fund balances	(938,332)	212,285	(726,047)
Fund balances -- beginning	5,345,269	3,995,569	9,340,838
Fund balances -- ending	<u>\$ 4,406,937</u>	<u>\$ 4,207,854</u>	<u>\$ 8,614,791</u>

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

Net change in fund balances - total governmental funds (above)	\$ (726,047)
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.	2,319,587
The net effect of various miscellaneous transaction involving capital asses (i.e., sales and donations) is to increase net assets.	104,666
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.	1,067,143
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(45,274)
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.	100,280
Internal service funds are used by management to charge the costs of emergency communications, health and industrial insurance to individual funds. The net revenue (loss) of certain activities of internal service funds is reported in the governmental activities.	330,737
Change in net position of governmental activities.	<u>\$ 3,151,092</u>

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

**City of Walla Walla
Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-type Activities - Major Enterprise Funds			Other Enterprise	Total Enterprise	Total Internal Service
	Sanitation	Water/Wastewater	Landfill			
ASSETS						
Current assets:						
Cash and equivalents	\$ 635,286	\$ 17,383,928	\$ 4,205,450	\$ 1,044,873	\$ 23,269,537	\$ 3,490,876
Investments	845,982	3,881,435	1,279,099	99,523	6,106,039	4,229,945
Other receivables (net)	390,534	2,676,864	430,537	544,706	4,042,641	175,791
Interest receivable	-	-	-	-	-	616
Interfund loans receivable	-	-	-	-	-	699,496
Inventories	-	956,330	-	-	956,330	71,522
Restricted cash and cash equivalents	-	-	821,306	-	821,306	-
Restricted investments	-	-	3,100,000	-	3,100,000	-
Prepays	-	42	-	-	42	723,466
Total current assets	1,871,802	24,898,599	9,836,392	1,689,102	38,295,895	9,391,712
Noncurrent assets:						
Restricted cash and equivalents	-	-	454,544	-	454,544	-
Net pension asset	-	-	-	976,905	976,905	-
Long-term receivable	-	-	46,707	-	46,707	-
Interfund loans receivable	-	-	-	-	-	1,986,302
Capital assets not being depreciated:						
Land	-	572,495	593,664	55,415	1,221,574	135,600
Construction in progress	-	5,740,248	94,582	71,530	5,906,360	35,892
Intangibles	-	225,307	-	-	225,307	-
Capital assets being depreciated:						
Buildings and structures	-	30,179,789	863,967	371,006	31,414,762	4,153,923
Improvements other than buildings	-	1,871,057	7,152,820	1,358,317	10,382,194	16,212
Machinery and equipment	28,906	2,217,810	272,273	226,255	2,745,244	19,323,343
Infrastructure	-	108,333,498	745,000	6,173,364	115,251,862	96,187
Less accumulated depreciation	(24,380)	(51,630,017)	(3,542,130)	(1,161,731)	(56,358,258)	(13,479,331)
Total capital assets (net)	4,526	97,510,187	6,180,176	7,094,156	110,789,045	10,281,826
Total noncurrent assets	4,526	97,510,187	6,681,427	8,071,061	112,267,201	12,268,128
Total assets	\$ 1,876,328	\$ 122,408,786	\$ 16,517,819	\$ 9,760,163	\$ 150,563,096	\$ 21,659,840
DEFERRED OUTFLOWS OF RESOURCES						
Pensions	\$ 67,272	\$ 162,459	\$ 72,577	\$ 123,812	\$ 426,120	\$ 157,107
Total deferred outflows of resources	\$ 67,272	\$ 162,459	\$ 72,577	\$ 123,812	\$ 426,120	\$ 157,107
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 129,668	\$ 1,238,889	\$ 120,052	\$ 33,535	\$ 1,522,144	\$ 85,702
Other accrued liabilities	50,517	431,690	154,233	178,340	814,780	143,261
Industrial insurance claims	-	-	-	-	-	18,593
Compensated absences	44,884	124,139	48,102	186,761	403,886	127,251
Pollution remediation payable from restricted assets	-	-	102,524	-	102,524	-
Short-term debt	-	7,300,000	-	-	7,300,000	-
Current portion long-term debt	-	2,431,476	638,358	24,819	3,094,653	-
Interfund loans payable	-	90,120	163,122	100,029	353,271	-
Total current liabilities	225,069	11,616,314	1,226,391	523,484	13,591,258	374,807
Noncurrent liabilities:						
Industrial insurance claims	-	-	-	-	-	123,952
Compensated absences	15,367	12,970	-	-	28,337	203
Net pension liability	409,399	988,671	441,682	260,680	2,100,432	956,104
Landfill closure payable from restricted assets	-	-	3,483,844	-	3,483,844	-
Pollution remediation payable from restricted assets	-	-	1,859,650	-	1,859,650	-
Federal DWSRF LT2	-	5,387,937	-	-	5,387,937	-
Long-term debt	-	12,227,716	4,609,415	134,179	16,971,310	-
Interfund loans payable	-	270,360	166,792	543,539	980,691	-
Total noncurrent liabilities	424,766	18,887,654	10,561,383	938,398	30,812,201	1,080,259
Total liabilities	\$ 649,835	\$ 30,503,968	\$ 11,787,774	\$ 1,461,882	\$ 44,403,459	\$ 1,455,066
DEFERRED INFLOWS OF RESOURCES						
Pensions	\$ 66,718	\$ 161,121	\$ 71,979	\$ 294,632	\$ 594,450	\$ 155,814
Total deferred inflows of resources	\$ 66,718	\$ 161,121	\$ 71,979	\$ 294,632	\$ 594,450	\$ 155,814
NET POSITION						
Net investment in capital assets	\$ 4,526	\$ 83,038,650	\$ 1,222,189	\$ 6,935,158	\$ 91,200,523	\$ 10,281,826
Unrestricted	1,222,521	8,867,506	3,508,454	1,192,303	14,790,784	9,924,241
Total net position	\$ 1,227,047	\$ 91,906,156	\$ 4,730,643	\$ 8,127,461	\$ 105,991,307	\$ 20,206,067
					15,355,991	
					<u>\$ 121,347,298</u>	

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

City of Walla Walla
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Major Enterprise Funds			Other Enterprise	Total Enterprise	Total Internal Service
	Sanitation	Water/Wastewater	Landfill			
Operating revenues:						
Licenses and permits	\$ 2,079	\$ -	\$ -	\$ -	\$ 2,079	\$ -
Intergovernmental revenues	-	-	105,642	1,539,487	1,645,129	2,303,885
Charges for goods and services	5,673,770	22,509,200	4,931,157	4,006,174	37,120,301	4,764
Miscellaneous revenues	9,137	112,309	-	50,536	171,982	-
Interfund charges	-	-	-	-	-	10,025,810
Total operating revenues	<u>\$ 5,684,986</u>	<u>\$ 22,621,509</u>	<u>\$ 5,036,799</u>	<u>\$ 5,596,197</u>	<u>\$ 38,939,491</u>	<u>\$ 12,334,459</u>
Operating expenses:						
Depreciation	\$ 1,595	\$ 2,780,432	\$ 360,352	\$ 165,927	\$ 3,308,306	\$ 1,320,514
Salaries and wages	589,367	1,416,106	648,913	1,951,371	4,605,757	1,371,322
Personnel benefits	279,752	731,614	240,862	637,748	1,889,976	6,004,322
Supplies	63,316	732,177	102,104	198,994	1,096,591	978,001
Services and charges	2,360,502	6,317,323	543,168	486,864	9,707,857	1,185,064
Intergovernmental services	835,331	3,707,696	694,467	387,875	5,625,369	17,653
Interfund service payments	1,436,236	3,858,564	1,255,818	1,499,646	8,050,264	665,697
Total operating expenses	<u>\$ 5,566,099</u>	<u>\$ 19,543,912</u>	<u>\$ 3,845,684</u>	<u>\$ 5,328,425</u>	<u>\$ 34,284,120</u>	<u>\$ 11,542,573</u>
Operating income (loss)	<u>\$ 118,887</u>	<u>\$ 3,077,597</u>	<u>\$ 1,191,115</u>	<u>\$ 267,772</u>	<u>\$ 4,655,371</u>	<u>\$ 791,886</u>
Nonoperating revenues (expenses):						
Intergovernmental revenues	\$ -	\$ 15,725	\$ 93,842	\$ 50,916	\$ 160,483	\$ -
Miscellaneous revenues	(3,413)	84,239	7,471	2,494	90,791	43,155
Gain (loss) on sale of capital assets	-	(315,589)	10,474	-	(305,115)	34,599
Insurance recoveries	-	-	-	435,221	435,221	236,280
Adjustment to landfill closure liability	-	-	793,830	-	793,830	-
Adjustment to pollution remediation liability	-	-	(923,721)	-	(923,721)	-
Debt service - interest	-	(361,957)	(142,259)	(20,917)	(525,133)	-
Total non-operating revenue (expenses)	<u>\$ (3,413)</u>	<u>\$ (577,582)</u>	<u>\$ (160,363)</u>	<u>\$ 467,714</u>	<u>\$ (273,644)</u>	<u>\$ 314,034</u>
Income (loss) before contributions and transfers	<u>\$ 115,474</u>	<u>\$ 2,500,015</u>	<u>\$ 1,030,752</u>	<u>\$ 735,486</u>	<u>\$ 4,381,727</u>	<u>\$ 1,105,920</u>
Capital contributions	-	1,325,595	-	710,342	2,035,937	-
Transfers in	-	54,716	-	146,112	200,828	141,185
Transfers out	(14,960)	(1,874,957)	-	-	(1,889,917)	(137,015)
Change in net position	<u>100,514</u>	<u>2,005,369</u>	<u>1,030,752</u>	<u>1,591,940</u>	<u>4,728,575</u>	<u>1,110,090</u>
Adjusted net position -- beginning	<u>1,126,533</u>	<u>89,900,787</u>	<u>3,699,891</u>	<u>6,535,521</u>	<u>101,262,732</u>	<u>19,095,977</u>
Total net position -- ending	<u>\$ 1,227,047</u>	<u>\$ 91,906,156</u>	<u>\$ 4,730,643</u>	<u>\$ 8,127,461</u>	<u>\$ 105,991,307</u>	<u>\$ 20,206,067</u>
Net change in net position - total proprietary funds					\$ 4,728,575	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					779,354	
Change in net position of business-type activities					<u>\$ 5,507,929</u>	

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, 2017

	Business-type Activities - Major Enterprise Funds				Total Enterprise	Total Internal Service
	Sanitation	Water/ Wastewater	Landfill	Other Enterprise		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash from customers	\$ 5,619,419	\$ 21,196,337	\$ 5,077,200	\$ 5,512,299	\$ 37,405,255	\$ 1,757,960
Cash from grants	-	-	-	(40,753)	(40,753)	-
Cash from interfund services	-	112,309	-	-	112,309	10,025,810
Cash from other sources	-	-	-	435,221	435,221	236,280
Payments to suppliers	(3,169,560)	(10,879,731)	(1,287,448)	(1,092,581)	(16,429,320)	(2,906,064)
Payments to employees	(909,586)	(2,144,845)	(977,575)	(2,833,681)	(6,865,687)	(7,544,644)
Interfund service payments	(1,436,236)	(3,858,564)	(1,255,818)	(1,499,646)	(8,050,264)	(665,697)
Miscellaneous revenues	9,137	57,487	20,706	56,036	143,366	8,025
Net cash provided by operating activities	\$ 113,174	\$ 4,482,993	\$ 1,577,065	\$ 536,895	\$ 6,710,127	\$ 911,670
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating grants received	\$ -	\$ 15,725	\$ 1,333,736	\$ 45,428	\$ 1,394,889	\$ -
Proceeds (repayments) from interfund loan	-	-	-	250,000	250,000	501,383
Transfers in	-	54,716	-	146,112	200,828	141,185
Transfers out	(14,960)	(1,874,957)	-	-	(1,889,917)	(137,015)
Total cash flows from noncapital financing	\$ (14,960)	\$ (1,804,516)	\$ 1,333,736	\$ 441,540	\$ (44,200)	\$ 505,553
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	\$ -	\$ (3,505,876)	\$ (2,248,950)	\$ (1,100,382)	\$ (6,855,208)	\$ (1,629,746)
Capital contributions	-	688,293	10,474	336,748	1,035,515	-
Principal and interest payments	-	4,581,405	2,139,477	(24,076)	6,696,806	-
Proceeds (repayments) from interfund capital loan	-	(90,120)	(168,452)	(60,418)	(318,990)	-
Proceeds from sale of capital assets	-	-	-	-	-	34,599
Proceeds from DWSRF loan	-	1,377,487	-	-	1,377,487	-
Payments for landfill closure and remediation	-	-	129,891	-	129,891	-
Landfill closure and post-closure care	-	-	793,830	-	793,830	-
Pollution remediation	-	-	(923,721)	-	(923,721)	-
Total cash flows from capital and related financing	\$ -	\$ 3,051,189	\$ (267,451)	\$ (848,128)	\$ 1,935,610	\$ (1,595,147)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	\$ (45,883)	\$ (1,581,986)	\$ (279,767)	\$ (99,523)	\$ (2,007,159)	\$ (428,972)
Interest on investments	-	-	-	-	-	(99)
Interest received	(3,413)	26,753	(22,900)	1,982	2,422	5,814
Total cash flows from investing activities	\$ (49,296)	\$ (1,555,233)	\$ (302,667)	\$ (97,541)	\$ (2,004,737)	\$ (423,257)
Net increase (decrease) in cash and equivalents	\$ 48,918	\$ 4,174,433	\$ 2,340,683	\$ 32,766	\$ 6,596,800	\$ (601,181)
Beginning cash and cash equivalents	\$ 586,368	\$ 13,209,495	\$ 3,140,617	\$ 1,012,107	\$ 17,948,587	\$ 4,092,057
Ending cash and cash equivalents	\$ 635,286	\$ 17,383,928	\$ 5,481,300	\$ 1,044,873	\$ 24,545,387	\$ 3,490,876
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 118,887	\$ 3,077,597	\$ 1,191,115	\$ 267,772	\$ 4,655,371	\$ 791,886
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	1,595	2,780,432	360,352	165,927	3,308,306	1,320,514
(Increase) decrease in accounts receivable	(56,430)	(1,312,863)	40,401	361,106	(967,786)	207,928
(Increase) decrease in inventories	-	(127,308)	-	-	(127,308)	45,714
(Increase) decrease in prepaid expenses	-	-	-	-	-	(687,831)
Increase (decrease) in accounts payable	89,589	4,773	52,291	(18,848)	127,805	(605,566)
Increase (decrease) in miscellaneous revenue	-	57,487	20,706	5,500	83,693	8,025
Increase (decrease) in salaries and benefits	7,010	3,923	(9,891)	(112,653)	(111,611)	(43,890)
Increase (decrease) in pension liability	(47,477)	(1,048)	(77,909)	(131,909)	(258,343)	(125,110)
Net cash provided by operating activities	\$ 113,174	\$ 4,482,993	\$ 1,577,065	\$ 536,895	\$ 6,710,127	\$ 911,670
Noncash investing, capital, and financing activities						
Contribution of capital assets from developers	\$ -	\$ 637,302	\$ -	\$ 373,594	\$ 1,010,896	\$ -

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

City of Walla Walla
Statement of Net Position
Fiduciary Funds
December 31, 2017

	Pension and Other Benefits
ASSETS	
Cash and equivalents	\$ 439,237
Total assets	\$ 439,237
 LIABILITIES	
Accounts payable	\$ 18,019
Other accrued liabilities	15,066
Total liabilities	\$ 33,085
 NET POSITION	
Held in trust for pension benefits and other purposes	\$ 406,152

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

City of Walla Walla
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2017

	<u>Pension and Other Employee Benefits</u>
ADDITIONS	
Contributions:	
Fire insurance premium tax payment from general fund	\$ 48,929
Employer contributions	<u>623,750</u>
Total contributions	<u>672,679</u>
 DEDUCTIONS	
Personnel benefits	\$ 654,831
Services and charges	<u>3,860</u>
Total deductions	<u>658,691</u>
Change in net position	13,988
Net position -- beginning of the year	<u>392,164</u>
Net position -- end of the year	<u><u>\$ 406,152</u></u>

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

CITY OF WALLA WALLA
Notes to the Financial Statements
December 31, 2017

NOTE 1 – 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 Washington state law 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 is a general-purpose government and provides police, fire, ambulance, water/wastewater and sanitation services, a landfill, street maintenance, planning and zoning, a 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 basic financial statements do not include the financial position or results of operations of:

The Walla Walla School District, even though the operations are 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 Walla Walla Housing Authority, though the City Council appoints their five board members. The members cannot be elected officials and are appointed for five-year terms. The City's relationship with the Housing Authority of Walla Walla qualifies as a related organization under GASB 14. RCW 35.82.030 establishes rules governing the Housing Authority. The City is under no financial obligation and receives no financial benefit from the relationship.

Blended component unit:

The City had one blended component unit, the Walla Walla Transportation Benefit District (TBD), which was a legally separate entity until September 4, 2017 by action of Council through Ordinance 2017-28. At that time, the City of Walla Walla assumed the rights, powers, and functions of the TBD. The City's basic financial statements include the financial position and results of operations of all funds controlled by the City.

The Walla Walla Transportation Benefit District (TBD) is governed by a board composed of the seven members of the City Council of Walla Walla, who serve in an ex-officio and independent capacity. Although legally separated from the City of

Walla Walla, the TBD is reported as if it were part of the primary government, because the TBD's sole purpose is to finance, preserve, maintain, construct, or reconstruct the City's transportation infrastructure. The TBD was created by Walla Walla City Council Ordinance No. 2011-19. The City and TBD signed an interlocal agreement on December 9, 2011, to coordinate efforts in maintaining and preserving the transportation infrastructure within the boundaries of the City and to exercise the powers available under RCW 36.73. Send requests for copies of the TBD financial statements to: Finance Director, City Hall, 15 N. 3rd Avenue, Walla Walla, WA 99362.

B. Basis of Presentation Government-wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

As a general rule, the effect of the interfund activity has been eliminated for the government-wide financial statements. Interfund charges for governmental services, including utilities and certain internal services, have not been eliminated. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The City reports the following major governmental funds:

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 City reports the following major proprietary funds:

The sanitation fund is responsible for the collection and disposal of solid waste throughout the City and administers the contract for the City's recycling 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 landfill fund accounts for activities related to waste stored at the landfill, composting operations, and the household hazardous waste disposal program.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for revenues 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 are proprietary funds used to account for an activity which provides goods or services to other funds, departments, or agencies of the primary government and its component units.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Government-Wide and Governmental Funds

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

Fiduciary funds account for resources legally held in trust or agency capacity for others and therefore cannot be used to support the government's own programs. Trust funds employ the same economic resource measurement focus and accrual basis of accounting as proprietary funds. Agency funds report only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables. Agency funds have no measurement focus as the purpose of this type of fund is to simply receive and disburse funds belonging to another organization.

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 shortly after to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally 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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, and interest associated within the current period are 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 current period revenue. Other revenue items are considered to be measurable and available only when cash is received by the City.

2. Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues for enterprise funds are charges for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and capital asset depreciation. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

The City of Walla Walla operates under a biennial budget in accordance with the Revised Code of Washington (RCW) 35.34.

1. Scope of Budget

Biennial appropriated budgets are adopted for the general, special revenue, proprietary and pension trust funds on an accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for the fiscal periods which correspond to the lives of debt issues or projects.

The appropriated budget is prepared by fund, function, and department. The fund level is the legal level for budgetary control. Appropriations generally lapse at year-end, except for appropriations for capital outlays, which may be carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

Encumbrances accounting is employed in all funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2. Amending the Budget

The City Manager is authorized to transfer from fund balance and to transfer budgeted amounts between departments within any fund. However, revisions which alter the total revenues of the City must be approved by the City Council and adopted by ordinance. When the Walla Walla City Council determines it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves,

transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the biennium.

3. Excess of Expenditures over Appropriations

For the year ended December 31, 2017, the general fund as a whole did not exceed the appropriated amount.

4. Deficit Fund Net Position

The Local Improvement District (LID) Bond fund showed a deficit fund balance of (\$70,080) at December 31, 2017. This is expected and normal since the debt related to this debt service is from an interfund loan rather than an outside funding source. With internal financing the debt is carried within the fund and therefore results in a negative fund balance. Interfund loans payable in the LID Bond fund total \$106,848 and will be redeemed with annual assessment proceeds.

The parks construction fund showed a deficit fund balance of (\$1,014,789) at December 31, 2017. This is expected and normal since the debt related to this construction fund is from an interfund loan in combination with an outside funding source. With the internal financing, the debt is carried within the fund and therefore results in a negative fund balance. Interfund loans payable in the parks construction fund total \$1,050,000 and will be repaid with private donations, real estate excise tax proceeds and general fund contributions within the four-year loan term.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Equivalents

It is the city's policy to invest all temporary cash surpluses. On December 31, 2017, the State LGIP was holding \$32,695,040 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to various funds.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in-lieu-of payments for services rendered. The average month-end compensating balance maintained during 2017 was \$3,156,441.

For purposes of the statement of cash flows, the city considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

See Note 4, Deposits and Investments.

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (see Note 5). Accrued interest receivable consists of amounts earned on investments at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. As of December 31, 2017, \$0 of special assessments receivable were delinquent. Deferred assessments consist of unbilled special assessments which are liens against the property benefited.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered. The ambulance fund allowance for uncollectible accounts is 53% of the outstanding receivables at December 31, 2017.

4. Amounts Due to and From Other Funds and Governments, Interfund Loans, Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund loans receivable/payable*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. A separate schedule of interfund loans receivable and payable is furnished in Note 15, *Interfund Balances and Transfers*.

5. Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. 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. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the FIFO (first-in-first-out) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service in enterprise funds. Specific debt service reserve requirements are described in Note 13, *Long-Term Debt*.

The restricted assets of the enterprise funds are composed of the following:

Cash and Investments – Construction	\$4,375,850
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7. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation, except for donated historical treasures not capitalized because they meet the exemption from capitalization per GASB Statement 34, paragraph 27.

Costs for additions or improvements to capital assets are capitalized when the effectiveness or efficiency of the asset is increased. Costs for normal maintenance and repairs are not capitalized. 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. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. The total interest expense incurred by the City during the current fiscal year is \$487,117. Of this amount, \$17,492 was included as part of the cost of capital assets under construction in connection with water and landfill projects.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Assets	Capitalization Threshold	Years
Land	\$30,000	n/a
Buildings	30,000	10 to 100
Improvements	30,000	5 to 100
Infrastructure	30,000	5 to 125
Intangible	30,000	Varies
Machinery and Equipment	5,000	2 to 20

For capital asset details, see Note 6.

8. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. Deferred charges on debt refunding result from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension plans are discussed in detail in Note 8: Pension Plans.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Deferred inflows related to pension plans are discussed in detail in Note 8: Pension Plans.

9. Compensated Absences

Compensated absences are paid time off work, such as vacation and sick leave benefits. Vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In proprietary funds, compensated absences are recorded as an expense and liability when earned. Compensated absence expenditures are recognized in government funds when the liability becomes due and payable, specifically leave due to employees who have left active service by the end of the fiscal period.

Contracts with employees call for the accumulation of vacation leave and sick pay benefits. Vacation pay may be accumulated up to 240 hours, and is payable upon resignation, retirement, or death. At employment termination, employees with at least 10 years of continuous service may receive cash payment for 25% of accumulated sick leave up to a maximum of 240 hours.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits: Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred and are paid out of the general and firemen's medical funds.

11. Other Accrued Liabilities

Other accrued liabilities include accrued wages and employee benefits, deposits, sales and use tax payable, and retainage payable.

12. Long-Term Debt

See Note 11, Long-Term Debt.

13. Unearned Revenue

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met. As of December 31, 2017, unearned revenue reported in the governmental funds were as follow:

Cemetery Preneed Services	\$304,262
Engineering Deposits	10,000
Parks Gift Certificates Outstanding	1,456
Total Unearned Revenue	<u>\$315,718</u>

14. Fund Balance Classification

Fund balance for governmental funds is reported in the following classifications depicting the relative strength of the constraints which control how specific amounts can be spent. The City considers expenditures to be made from the most restrictive resource when more than one fund balance classification is appropriate. After restricted funds are depleted, the flow assumption for unrestricted funds is to first use committed fund balance, then assigned fund balance and finally unassigned fund balance.

Nonspendable	Fund balances are either not in spendable form or are legally or contractually required to remain intact.
Restricted	Fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
Committed	Fund balances can only be used for specific purposes ordained by the City Council, the City's highest level of decision-making authority. Commitments may be changed, modified, or rescinded only by ordinance approved by the vote of one more than the majority of all members of the City Council.
Assigned	Fund balances are constraints imposed for specific purposes by the City Manager who is authorized to assign unexpended funds per Walla Walla Municipal Code 3.03.050.
Unassigned	Fund balance is the residual amount of the general fund not included in the four categories above. Also, deficit fund balances within other governmental fund types are reported as unassigned.

15. Fund Balance Details

Fund balances by classification for the year ended December 31, 2017 were as follows:

Fund Balances	General Fund	Other Governmental	Total Governmental
Nonspendable:			
Prepays	\$107,272	\$ -	\$107,272
Library trusts	-	16,545	16,545
Restricted for:			
Community services	207,807	727,232	935,039
Debt service	-	434,550	434,550
Capital projects	-	1,516,266	1,516,266
Committed to:			
Community enforcement and development	529,558	399,912	929,470
Cemetery	-	707,518	707,518
Debt service	-	64,902	64,902
Streets	-	647,016	647,016
Capital projects	-	749,638	749,638
Assigned to:			
Cemetery and library	-	13,215	13,215
Capital projects	-	15,929	15,929
Unassigned:	3,562,300	(1,084,869)	2,477,431
Total fund balances:	\$4,406,937	\$4,207,854	\$8,614,791

16. Minimum Fund Balance

In 2010, the City Council passed a General Fund Reserve Policy to establish a minimum unassigned fund balance for the general fund. The policy requires an annual review of the general fund reserve level and sets the minimum reserve level at 5%. In addition, the policy sets a higher target of 15% for the general fund reserve level. If at any time, the level of the reserves is projected to drop below the 5% minimum, the City Council will institute budgetary actions to bring the reserve up to the minimum level.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. 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 details of this are as follows:

Land	\$ 3,420,999
Construction in progress	921,178
Buildings	23,589,719
Less: accumulated depreciation-buildings	(6,745,484)
Other improvements	9,986,075
Less: accumulated depreciation-other improvements	(1,946,479)
Equipment	4,617,292
Less: accumulated depreciation-equipment	(2,446,221)
Infrastructure	85,461,048
Less: accumulated depreciation-infrastructure	(38,073,113)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 78,785,014

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

Bonds payable	\$ (16,579,644)
Bond premiums	(1,093,906)
Interest payable	(41,520)
Debt refunding	586,287
Compensated absences	(1,501,406)
OPEB obligation	(7,529,353)
Net firemens’ pension	(2,385,926)
Net adjustment to reduce <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	\$ (28,545,468)

B. Explanation of certain differences between the governmental fund 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 position 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 these assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 5,800,860
Depreciation expense	(3,481,273)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 2,319,587</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.” The details of this difference are as follows:

In the statement of activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

	\$ (580,807)
--	--------------

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

	685,473
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Net adjustment to increase <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 104,666</u></u>
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Debt principal repayments	\$ 1,073,539
Debt service interest	(41,520)
Amortization of bond premiums	83,981
Amortization of refunded debt	(48,857)
Net adjustment to increase net changes in fund balances - <i>total governmental funds</i> to arrive at changes in <i>net position</i> of governmental activities	<u><u>\$ 1,067,143</u></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:

Compensated absences	\$ 251,127
Net other postemployment benefit obligations	(1,082,608)
Net firemen’s pension	(26,083)
NET State pension obligations	957,844
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 100,280</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 – DEPOSITS AND INVESTMENTS

Cash, cash equivalents, and investment cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party.

The City of Walla Walla’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the City’s deposits. The deposit balances over \$250,000 are insured by the WPDPC.

Deposits	Balance on 12/31/2017
Baker Boyer Bank	\$ 3,277,823
Banner Bank	21,940
Total FDIC Insured or PFCP Bank Deposits	\$ 3,299,763

The City does not have a formal policy for custodial risk beyond the requirements of state statute. Washington state law restricts deposit of funds in financial institutions physically located in Washington unless otherwise expressly permitted by statute and authorized by the WPDPC.

B. Investments

Investments Not Measured at Fair Value

As of December 31, 2017, the City held the following investments at amortized costs:

Security Type	Cost at 12/31/2017
Washington State Local Government Investment Pool (LGIP)	\$ 32,695,040

Investments are shown on the Government-wide Statement of Net Position at fair value. Investments are reported within Cash and Investments of Governmental Activities and within Cash and Cash Equivalents or Investments of Business-type Activities.

The City’s deposits with the Local Government Investment Pool (LGIP) are managed by the Washington State Office of the Treasurer. The Local Government Investment Pool (LGIP) is invested in a manner generally consistent with the Securities and Exchange Commission’s Rule 2a-7 of the Investment Company Act of 1940. Accordingly, participants’ balances in the LGIP are subject to minimal interest rate risk, as the weighted average maturity of the portfolio will not exceed 60 days. Per GASB 40 guidelines, the balances are also not subject to custodial credit risk.

The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are insured or held by a third-party custody provider in the LGIP’s name. The fair value of the City’s pool investments is determined by the pool’s share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the

Office of the State Auditor, an independently elected public official. The City includes the LGIP as an investment for internal tracking, but it is disclosed on the financial statements as a cash equivalent.

Investments Measured at Fair Value

The city measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

The fair values and levels noted in the following table have been provided by the City’s investment advisor Government Portfolio Advisors (GPA). At December 31, 2017, the City had the following investments measured at fair value:

Investment Type	Fair Value 12/31/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury	\$ 14,908,593	\$ 14,908,593	\$ -	\$ -
Government Sponsored Enterprise (GSE's)	\$ 2,996,844	\$ -	\$ 2,996,844	\$ -
Total	\$ 17,905,437	\$ 14,908,593	\$ 2,996,844	\$ -

Credit risk: State law and City policy limit investments to those authorized by State Statute including commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the of investment, one of the three highest credit ratings of a nationally recognized credit agency. The City further limits its holdings in commercial paper to 15% of the portfolio and 5% per issuer, and local government bonds to 30% of the portfolio and 5% of issuer. At December 31, 2017, the City held no investments in commercial paper or local government bonds.

The following table identifies the credit risk of the City’s investment portfolio as of December 31, 2017:

Credit Risk	Ratings		Fair Value
	Moody's	S&P	
Local Government Investment Pool	Unrated	Unrated	\$32,695,040
U.S Treasury Notes	Aaa	AA+	\$14,908,593
Government Sponsored Enterprises			
Federal Home Loan Bank	Aaa	AA+	\$2,996,844
Total			\$50,600,477

Interest rate risk: As a means of limiting its exposure to interest rate risk, the City’s policy requires that it diversify its investments by security type and institution. The City coordinates its investment maturities to meet cash flow needs and restricts the maximum investment term to less than five years from the purchase date, and at total Weighted Average Maturity (WAM) of two years.

Investment Type	Fair Value	Maturity (in years)	
		Less than 1 year	1-5 year
US Treasury	\$ 14,908,593	\$ 4,490,274	\$ 10,418,319
Government Sponsored Enterprise (GSE's)	\$ 2,996,844	\$ 2,996,844	\$ -
Total	\$ 17,905,437	\$ 7,487,118	\$ 10,418,319

Concentration of Credit Risk: The City diversifies its investments by security type and institution. 100% of the City’s portfolio may be invested in US Treasury Notes GSE –Agency Obligations, or the

State Investment Pool. 30% of the portfolio may be invested in Municipal Debt obligations with no more than 5% per issuer. 25% of the portfolio may be invested in Certificates of Deposit with no more than 10% held by any one issuer. 20% of the portfolio may be invested in Banker’s Acceptance (5% per issuer) and Time Deposits (10% per issuer). 15% of the portfolio may be invested in Commercial Paper. On December 31, 2017, more than 83% of the City’s investments were held in U.S. Treasury Notes.

The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the City’s investment portfolio as of December 31, 2017:

	Fair Value	Cost Based Measured	Percent of Total
U.S Treasury Notes	\$ 14,908,593	\$ -	27.7%
Government Sponsored Enterprises			
Federal Home Loan Bank	\$ 2,996,844	\$ -	5.6%
FDIC Insured or PFCP Bank Deposits	\$ -	\$ 3,299,763	6.1%
Washington State Local Government Investment Pool	\$ -	\$ 32,695,040	60.7%
Total	\$ 17,905,437	\$ 35,994,803	
Total Cash, Deposits and Investments		\$ 53,900,240	100.00%

*The fair value of the investments in the Washington State Local Government Investment Pool are the same as the amortized cost of the pool shares and are considered Cash and Cash Equivalents.

NOTE 5 – PROPERTY TAX

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 20th day of the following month.

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

Upon receipt of cash, property tax revenue is recognized, and deferred inflow of property tax revenue is reduced. At year-end, property taxes receivable is reported as of December 31, with the portion not expected to be collected within 60 days, offset by unavailable revenue. Delinquent taxes total \$173,193. Subsequent collections of delinquent amounts will be recorded as revenue in the period received. No allowance for uncollectible tax is established, because delinquent taxes are considered fully collectible. The City may levy up to \$3.60 per \$1,000 of assessed value for general governmental services, per RCW 84.55.010.

The City’s 2017 levy is \$2.534476 per \$1,000 on a 2016 assessed valuation of \$2,337,391,519 for a total regular levy of \$5,924,063. The City’s 2018 levy is \$2.619569 per \$1,000 on a 2017 assessed valuation of \$2,436,757,258.

Special levies approved by the voters are not subject to the limitations listed above. The City voted a debt service levy for the purposes of building a fire station in 2004, police station in 2009 and for a pool in February of 2015.

The City’s 2017 voted levy was \$0.643787 per \$1,000 on a 2016 assessed valuation of \$2,304,526,819 for a total voted levy of \$1,483,625. The City’s 2018 voted levy was \$0.631283 per \$1,000 on a 2017 assessed valuation of \$2,401,725,793.

NOTE 6 – CAPITAL ASSETS

A. Capital Assets – Governmental Activities

Capital asset activity for the year ending December 31, 2017 was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
	01/01/2017			12/31/2017
Capital assets not being depreciated:				
Land	\$3,556,599	\$ -	\$ -	\$3,556,599
Construction in progress	7,033,502	905,276	6,981,708	957,070
Total capital assets not being depreciated	10,590,101	905,276	6,981,708	4,513,669
Capital assets being depreciated:				
Buildings	24,709,088	3,034,556	-	27,743,643
Improvements other than buildings	6,467,414	3,534,874	-	10,002,287
Machinery and equipment	3,688,576	1,371,176	239,257	4,820,495
Infrastructure	81,631,257	3,976,069	50,091	85,557,235
Total depreciated capital assets	116,496,334	11,916,674	289,348	128,123,660
Less accumulated depreciation for:				
Buildings	7,839,523	604,472	-	8,443,993
Improvements other than buildings	1,776,552	174,858	-	1,951,410
Machinery and equipment	2,546,426	242,833	237,674	2,551,584
Infrastructure	35,595,976	2,557,078	45,082	38,107,972
Total accumulated depreciation	47,758,477	3,579,240	282,756	51,054,959
Capital assets being depreciated, net	68,737,858	8,337,434	6,592	77,068,701
Governmental activities capital, net	\$79,327,959	\$9,242,710	\$6,988,300	\$81,582,370

B. Capital Assets – Business-type Activities

Business-type Activities:	Beginning Balance	Increase	Decrease	Ending Balance
	01/01/2017			12/31/2017
Capital assets not being depreciated:				
Land	\$1,221,574	\$ -	\$ -	\$1,221,574
Construction in progress	4,530,277	2,209,192	833,109	5,906,360
Intangible assets	225,307	-	-	225,307
Total capital assets not being depreciated	5,977,158	2,209,192	833,109	7,353,241
Business-type assets being depreciated:				
Buildings	31,093,756	371,006	50,000	31,414,762
Improvements other than buildings	7,835,622	2,547,010	437	10,382,194
Machinery and equipment	20,440,251	2,110,432	685,299	21,865,384
Infrastructure	112,604,012	3,178,919	531,069	115,251,862
Total depreciated capital assets	171,973,641	8,207,366	1,266,805	178,914,202
Less accumulated depreciation for:				
Buildings	16,082,689	581,252	39,792	16,624,150
Improvements other than buildings	3,214,566	393,239	112	3,607,693
Machinery and equipment	12,481,329	1,346,201	669,902	13,157,628
Infrastructure	32,619,984	2,210,160	225,687	34,604,457
Total accumulated depreciation	64,398,568	4,530,853	935,492	67,993,928
Capital assets being depreciated, net	107,575,074	3,676,514	331,313	110,920,274
Business-type activities capital, net	\$113,552,232	\$5,885,706	\$1,164,422	\$118,273,515

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

Governmental activities:

General government	\$167,133
Public safety	417,336
Utilities & environment	3,144
Transportation	2,566,659
Culture & recreational environment	424,969
Total depreciation - governmental activities	<u>\$3,579,240</u>

Business-type activities:

Golf course	\$58,357
Sanitation	1,595
Water	1,140,430
Stormwater	102,301
Wastewater	1,640,002
Landfill	360,352
Ambulance	5,269
Fleet services	7,651
Vehicle replacement fund	1,214,896
Total depreciation - business-type activities	<u>\$4,530,853</u>

C. Collections not Capitalized

The City of Walla Walla has the option to not capitalize historical treasures and similar items according to GASB Statement No. 34, paragraph 27. Governments are encouraged, but not required, to capitalize collections that are a) held for public exhibition, education or research (rather than financial gain); b) adequately maintained and kept unencumbered; and c) subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The City owns the following donated historical treasures not capitalized as of December 31, 2017:

<u>Number</u>	<u>Asset Description</u>	<u>Reason for Not Capitalizing</u>
1	French G.P.F. 155 mm cannon from World War I	Meets exemption under GASB 34, p. 27
2	French G.P.F. 155 mm cannon from World War I	Meets exemption under GASB 34, p. 27

NOTE 7 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The City of Walla Walla has active construction projects as of December 31, 2017. At year-end the government’s commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Street construction	\$358,833	\$142,855
TBD street construction	114,321	90,351
Water construction	6,290,563	6,422,990
Stormwater construction	133,260	69,990
Wastewater construction	280,323	427,966
Landfill construction	615,688	53,033
Service center construction	16,633	114,971
Total:	<u>\$7,809,621</u>	<u>\$7,322,156</u>

NOTE 8 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (8,686,844)
Pension assets	\$ 5,761,391
Deferred outflows of resources	\$ 1,904,992
Deferred inflows of resources	\$ (2,902,749)
Pension expense/expenditures	\$ 886,018

State Sponsored Pension Plans

Substantially all city’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees’ Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined

contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	11.18%	6.12%
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July - December 2017.

The City’s actual PERS plan contributions were \$611,015 to PERS Plan 1 and \$827,402 to PERS Plan 2/3 for the year ended December 31, 2017.

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

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

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
Total	8.59%	8.41%
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The City’s actual contributions to the plan were \$476,302 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$4,214,691.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent. To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 5,510,062	\$ 4,523,151	\$ 3,668,274
PERS 2/3	\$ 11,217,426	\$ 4,163,693	\$ (1,615,794)
LEOFF 1	\$ (1,147,288)	\$ (1,546,700)	\$ (1,889,703)
LEOFF 2	\$ 912,053	\$ (4,214,691)	\$ (8,391,748)

Pension Plan Fiduciary Net Position

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

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a total pension liability of \$8,686,844 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 4,523,151
PERS 2/3	\$ 4,163,693

At June 30, 2017, the City reported a total pension asset of \$5,761,391 for its proportionate share of the net pension liabilities as follows:

	Asset
LEOFF 1	\$ 1,546,700
LEOFF 2	\$ 4,214,691

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1	LEOFF 2
Employer's proportionate share	\$ 1,546,700	\$ 4,214,691
State's proportionate share of the net pension asset associated with the employer	\$ 10,461,838	\$ 2,733,991
TOTAL	\$12,008,537	\$ 6,948,683

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	.094658%	.095323%	.000665%
PERS 2/3	.118477%	.119835%	.001358%
LEOFF 1	.104522%	.101943%	(.002579%)
LEOFF 2	.273693%	.303723%	.030030%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 313,352
PERS 2/3	\$ 658,849
LEOFF 1	\$ (216,637)
LEOFF 2	\$ 130,453
TOTAL	\$ 886,018

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (168,791)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 319,957	\$ -
TOTAL	\$ 319,957	\$ (168,791)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 421,880	\$ (136,937)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,109,941)
Changes of assumptions	\$ 44,226	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 185,745	\$ -
Contributions subsequent to the measurement date	\$ 455,614	\$ -
TOTAL	\$ 1,107,466	\$ (1,246,877)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (143,724)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ -	\$ (143,724)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185,244	\$ (159,828)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (946,228)
Changes of assumptions	\$ 5,075	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 45,884	\$ (237,300)
Contributions subsequent to the measurement date	\$ 241,367	\$ -
TOTAL	\$ 477,570	\$ (1,343,356)

TOTAL OF ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 607,124	\$ (296,765)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (2,368,684)
Changes of assumptions	\$ 49,302	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 231,629	\$ (237,300)
Contributions subsequent to the measurement date	\$ 1,016,938	\$ -
TOTAL	\$ 1,904,992	\$ (2,902,749)

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1
2018	\$ (114,092)
2019	\$ 36,021
2020	\$ (8,364)
2021	\$ (82,356)
2022	\$ -
Thereafter	\$ -

Year Ended December 31:	PERS 2/3
2018	\$ (349,016)
2019	\$ 172,429
2020	\$ (84,477)
2021	\$(438,488)
2022	\$ 45,446
Thereafter	\$ 59,080

Year Ended December 31:	LEOFF 1
2018	\$ (90,199)
2019	\$ 24,327
2020	\$ (9,714)
2021	\$ (68,138)
2022	\$ -
Thereafter	\$ -

Year Ended December 31:	LEOFF 2
2018	\$ (448,967)
2019	\$ 84,176
2020	\$ (79,214)
2021	\$ (431,483)
2022	\$ (41,369)
Thereafter	\$ (190,296)

A. Single Employer Plan

Firemens' Pension Plan

Plan Description: The City is the administrator of the Firemens' Pension Plan (FPP) which is a closed single-employer, defined benefit pension plan established in conformance with Revised Code of Washington (RCW) 14.16 and 14.18. Membership is limited to fire fighters employed prior to March 1, 1970, when the State of Washington established the LEOFF retirement system. The City's obligation under the FPP consists of paying all benefits, including payments to beneficiaries, for firefighters who retired prior to March 1, 1970, and excess benefits over LEOFF for covered fire fighters who retired on or after March 1, 1970.

The financial activity of the FPP is presented in the Statement of Net Position – Fiduciary Funds, and the Statement of Changes in Net Position – Fiduciary Funds. No separate stand-alone report is issued for the FPP.

Management of the FPP is overseen by a Fire Pension Board, which consists of five members: The Mayor, who is the chairman of the board, the City Clerk, a councilmember, and two firefighters selected by covered pension members, each of whom serve two-year terms.

Plan Membership. Membership is limited to firefighters employed prior to March 1, 1970, when the LEOFF retirement system was established. At December 31, 2017, pension membership consisted of the following:

Firefighters retired from service after March 1, 1970	11
Firefighters disabled in line of duty since March 1, 1970	7
Firefighters disabled not in line of duty since March 1, 1970	4
Survivors of firefighters retired after March 1, 1970	<u>5</u>
Total	27

The plan is closed to new entrants.

Benefits. RCW 41.16.080 through 41.16.180 establish the benefits of the plan. Plan members shall be paid upon retirement a pension based upon the average monthly salary drawn for the five-year calendar before retirement, the number of years in service, and a percentage factor based on age upon entering service. In addition, the state requires benefits to include payment on death of a retired firefighter, payment on death of eligible pensioner before retirement, payment on death in line of duty, payment upon disablement in line of duty, payment upon disablement not in line of duty, payment on separation from service, and funeral expenses.

Contributions. RCW 41.16.050 through 41.16.070 established the contribution rates. The state is required to contribute 25 percent of all monies received from taxes on fire insurance premiums and active firefighters are required to contribute based on age. The city is required to contribute a tax of 22.5 cents per \$1,000 of assessed value against all taxable property, unless a qualified actuary establishes that the whole or any part of said dollar rate is not necessary to maintain the actuarial soundness of the Fund. For the year ended December 31, 2017, the state contributed \$48,929 and the City contributed \$185,290, no members made contributions to the Plan. As of the last actuarial study dated January 1, 2018, the actuary determined that current Plan assets and future contributions from state fire insurance taxes and employer contributions will be sufficient to pay all plan benefits.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increase	3.25%
Investment Rate of Return	3.50%
Cost Method	Entry Age Normal

Mortality. The mortality assumptions used in this valuation are based on the 2007-2012 Experience Study for the LEOFF Retirement System prepared by the Office of the State Actuary. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate.

Discount Rate. The discount rate used to measure the total pension liability was 3.50%. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. The Bond Buyer General Obligation 20-year municipal bond index as of December 31, 2017 is 3.44 percent. Rounding this to the nearest ¼ percent results in the discount rate of 3.50%.

Long-term Rate of Return. GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the Plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

Since the Plan is largely unfunded and the benefits are being funded on a pay-as-you-go basis, we have used a municipal bond rate to discount liabilities. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 3.44% as of December 31, 2017. Rounding this to the nearest 1/4 percent results in a discount rate of 3.50%. This will need to be re-evaluated as of later valuation dates.

Investment Policy. Plan investments are invested with the City's funds, and therefore, follow City investment policy. All investment activities will be in compliance with state law. See Note 4 for information regarding the City's investment activities.

Rate of Return. For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments was 0.0%. The money-weighted rate of return expresses investment performance adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the sensitivity of the net pension liability to changes in the discount rate for the City, calculated using the current discount rate 3.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total pension liability	\$2,727,981	\$2,493,691	\$2,291,201
Fiduciary net position	107,765	107,765	107,765
Net pension liability	<u>\$2,620,216</u>	<u>\$2,385,926</u>	<u>\$2,183,436</u>

Changes in the Net Position Liability: The changes in net position liability for the period ending December 31, 2017, is as follows:

**City of Walla Walla
Firefighters' Pension Fund
Changes in Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of December 31, 2016	\$ 2,421,095	\$ 61,252	\$ 2,359,843
Service cost (Entry Age Normal)	-	-	-
Interest on total pension liability	87,360	-	87,360
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	116,552	-	116,552
Effect of assumptions changes or inputs	53,390	-	53,390
Benefit payments	(184,706)	(184,706)	-
Medical payments from fund	-	-	-
Employer contributions	-	185,290	(185,290)
Contributions from state fire insurance premium tax	-	48,929	(48,929)
Net investment income	-	-	-
Administrative expenses	-	(3,000)	3,000
Balance as of December 31, 2017	<u>\$ 2,493,691</u>	<u>\$ 107,765</u>	<u>\$ 2,385,926</u>

Measurement Date. The Valuation Date is January 1, 2018. This is the date as of which the actuarial valuation is performed. The Measurement Date is December 31, 2017. This is the date as of which the net pension liability is determined. The Reporting Date is December 31, 2017. This is the Plan's and/or employer's fiscal year ending date.

Changes in Assumptions. The changes in assumptions for future mortality led to the largest increase in liability. The mortality tables used were changed to match the most recent experience study by the State Actuary. This resulted in increased life expectancies and therefore, higher liabilities. Demographic experience resulted in an additional liability increase. Offsetting these increases was the fact that excess benefits increased less than anticipated over the past two years. Changes in the economic assumptions had an insignificant impact on liabilities.

The plan remains sensitive to demographic experience that deviates from expectations due to the small size of the plan membership. The plan also remains highly sensitive to both deviations in the excess benefit amounts from expectations and the assumptions used for wage increases and CPI.

For the fiscal year, ending December 31, 2017 the City's fire pension expense was as follows:

GASB Statement No. 68 Pension Expense		
Pension Expense	January 1, 2016 to December 31, 2016	January 1, 2017 to December 31, 2017
Service cost	\$ -	\$ -
Interest on total pension liability	86,680	87,360
Effect of plan changes	-	-
Administrative expenses	12,275	3,000
Medical payments from fund	-	-
Contributions from state fire insurance premium tax	(46,963)	(48,929)
Expected investment return net of investment expenses	(2,109)	(3,161)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses	-	116,552
Recognition of assumption changes or inputs	(55,042)	53,390
Recognition of investment gains or losses	1,173	1,805
Pension Expense	\$ (3,986)	\$ 210,017

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan Name	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	5,294
Contributions made subsequent to measurement date	-	-
Total	\$ -	\$ 5,294

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	1,805
2019	1,803
2020	1,053
2021	633
2022	-
Thereafter*	-

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

Fiduciary Net Position: The components of the net pension liability of the City at December 31, 2017 were as follows:

Total Pension Liability	\$ 2,493,691
Plan Fiduciary Net Position	<u>107,765</u>
City's Net Pension Liability	<u>\$ 2,385,926</u>

Plan fiduciary net position as a percentage of the total pension liability 4.32%

Pension Plan Investments: *Investment policy.* Plan investments are invested with the City's funds, and therefore, follow city investment policy. All investment activities will be in compliance with state law. See Note 4 for information regarding the City's investment activities.

Concentrations. The Plan held the following investments in organizations that represent 5 percent or

more of the Plan's fiduciary net position and are not issued by the US Government at December 31, 2017:

<u>Investment Type</u>	<u>% of Net Position</u>
Local Government Investment Pool	100%

Rate of Return. For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments was 0.0%. The money-weighted rate of return expresses investment performance adjusted for the changing amounts invested.

Required Supplementary Information Schedule. A trend schedule for current year and the previous nine years is displayed in the Required Supplemental Information. These schedules will show the actuarial value of the net pension asset trend.

NOTE 9 – RISK MANAGEMENT

Washington Cities Insurance Authority (WCIA): 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 161 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each

member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

Association of Washington Cities (AWC): The City of Walla Walla is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in

compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor’s office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (“GASB”). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor’s office.

Matrix Absence Management: Matrix Absence Management, Inc. manages the workers’ compensation claims. Self-insurance is in effect for losses up to \$500,000 per occurrence. The retention is \$500,000 with a Statutory Maximum Liability of Excess Insurer. Claims are processed by Matrix Absence Management and reviewed by the City administration for verification. Based on the claims manager estimates, the City’s estimated liability for probable losses at December 31, 2017 is \$142,545 for the workers’ compensation program. The state requires \$100,000 be set aside in cash reserves for protection for the worker’s compensation fund. The City met this requirement. The fund’s average monthly cash balance for 2017 was \$190,412. No reserves were necessary at year-end as claims are estimated to fall 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 worker’s compensation are assessed on the number of employees and the average claims over the last three years and reported as revenues and expenses.

	Year ended 12/31/2016	Year ended 12/31/2017
Unpaid claims, beginning of fiscal year	\$ 80,580	\$ 189,070
Incurred claims (including IBNRs)	207,385	187,166
Changes in estimate for claims, prior period	124,253	(13,041)
Payments on claims	(223,148)	(220,650)
Unpaid claims, end of fiscal year	<u>\$189,070</u>	<u>\$142,545</u>

NOTE 10 – SHORT-TERM DEBT

Short-term activity for the year ended December 31, 2017 was as follows:

<u>Debt</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance 12/31/2017</u>
LT2 Bond Anticipation	\$7,300,000	\$7,300,000		\$7,300,000

The purpose of the short-term borrowing was to provide resources to the City’s LT2 water treatment plant capital construction project. The form of financing was a bond anticipation note. The amount issued is for business-type activities related to a single fund and therefore is reported in the water/wastewater enterprise fund, and the entire short-term debt outstanding will be repaid in 2018.

NOTE 11 – LONG-TERM DEBT

Governmental Debt: The City issues general obligation bonds to finance the acquisition and construction of major capital facilities. Bonded indebtedness has also been entered (currently and in prior years) to advance refund several general obligation bonds. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources.

General obligation bonds outstanding at December 31, 2017 are as follows:

Purpose	Issue Date	Maturity Date	Interest Rate	Original	Outstanding
2009 UTGO Bond Police Station	11/4/2009	12/1/2029	3.25%-4.375%	\$11,595,000	\$505,000
2010 LTGO Bond Fire Truck	6/22/2010	12/1/2024	3.00%-5.00%	845,000	470,000
2010 LTGO Bond Landfill	6/22/2010	12/1/2024	3.0%-5.0%	2,805,000	1,970,000
2013 UTGO Refunding Bond	10/15/2013	12/1/2023	2.72%	2,840,000	1,820,000
2015 LTGO Bond Street Construction	5/7/2015	12/1/2024	3.125%-4.5%	188,789	129,971
2015 LTGO Bond Library	5/7/2015	12/1/2024	3.125%-4.5%	756,202	599,673
2015 UTGO Bond Pool	10/15/2015	12/1/2034	2.5%-4.00%	5,560,000	5,310,000
2015 LTGO Bond Landfill Liner	5/7/2015	12/1/2024	3.13%	1,366,359	602,841
2015 LTGO Bond Golf Course	5/7/2015	12/1/2024	3.13%	230,951	158,998
2016 LTGO Water AMI	8/31/2016	12/1/2031	2.0%-3.0%	5,960,000	5,625,000
2016 UTGO Refunding Police Station	9/15/2016	12/1/2029	3.00%	7,745,000	7,745,000
2017 LTGO Bond Landfill	10/18/2017	12/1/2027	2.18%	2,660,000	2,660,000
				\$42,552,301	\$27,596,482

Special Assessment Bond: The City issued a special assessment bond in 2011 for capital construction related to streets in an existing commercial area. The \$551,000 bond will be repaid from amounts levied against the property owners who benefited by the construction. If a deficiency exists because of an unpaid or delinquent special assessment, the City will provide the resources to cover the deficiency from the LID Bond fund, until the proceeds are received. As of December 31, 2017, the LID special assessment delinquency equals zero, all special assessments are current. This special assessment bond has been funded and accounted for as an interfund loan from the equipment replacement fund.

Special assessment bonds outstanding at December 31, 2017 are as follows:

Purpose	Issue Date	Maturity Date	Interest Rate	Original	Outstanding
2009-1 Bond LID (Taxable)	12/21/2011	12/21/2022	4.40%	\$551,000	\$106,848
				\$551,000	\$106,848

Annual debt service requirements to maturity for general obligation and special assessment bonds are as follows:

Year Ending 12/31/2017	Governmental Activities		Business-type Activities		Special Assessment	
	Interest	Principal	Interest	Principal	Interest	Principal
2018	\$498,235	\$1,135,806	\$279,559	\$1,003,177	\$4,701	\$25,000
2019	461,112	1,222,401	257,878	1,022,291	3,601	21,000
2020	427,344	1,280,423	235,419	784,488	2,677	20,000
2021	388,620	1,348,355	217,627	806,996	1,797	20,000
2022	351,684	1,424,633	195,106	825,987	917	20,848
2023-2027	1,166,679	5,878,027	619,969	4,383,899	-	-
2028-2032	349,670	3,500,000	126,100	2,190,000	-	-
2033 and beyond	35,700	790,000	-	-	-	-
Total	\$3,679,044	\$16,579,644	\$1,931,658	\$11,016,838	\$13,693	\$106,848

Public Works Trust Fund Loans: The City's business type activities currently have seven State of Washington Public Works Trust Fund Loans with principal outstanding of \$8,613,830. One loan has an interest rate of .5%, five loans have an interest rate of 1% and the final loan has an interest rate of 4.10%. In 1998, 1999, 2001, 2002, 2006, 2007 and 2016 the City Council authorized all seven loans for improvements to the City's Water and Wastewater treatment plants. The final loan amounts will be repaid from the Water and Wastewater utility funds in equal installments over a 20-year repayment term. In addition, the City was awarded by the Environmental Protection Agency and the Public Works board to receive two loans totaling \$24,240,000 to improve the drinking water system. The outstanding liability of the Drinking Water State Revolving Fund loans (DWSRF) are \$5,387,937 which

includes a \$120,000 loan origination fee. The loan terms for the balances will be defined upon project completion.

Title	Purpose	Interest Rate	Original	Outstanding
97-78897-038 Loan Water Treatment	Capital construction	1.00%	\$1,030,000	\$54,211
DM15-952-027 Loan Water	Capital construction	1.00%	120,000	112,263
L9900019A Loan Wastewater	Capital construction	4.10%	14,220,127	2,458,827
PW-99-791-038 Loan Wastewater	Capital construction	1.00%	7,000,000	745,797
PW-02-691-060 Loan Wastewater	Capital construction	0.50%	5,159,197	1,390,871
PW-06-962-PRE-103 Loan Wastewater	Capital construction	1.00%	531,399	251,716
PW-07-962-018 Loan Wastewater	Capital construction	1.00%	6,823,104	3,600,144
Total Notes			\$34,883,827	\$8,613,830

Annual debt service requirements to maturity for trust fund loans are as follows:

Year Ending 12/31/2017	Business-type Activities	
	Interest	Principal
2018	\$147,900	\$2,053,203
2019	96,625	2,038,495
2020	45,865	1,184,318
2021	30,596	672,394
2022	25,263	672,394
2023-2027	60,229	1,943,130
2028-2032	1,871	31,184
2033 and beyond	374	18,711
Total	\$408,723	\$8,613,830

Prior Year Defeasance of Debt: In prior years, the City of Walla Walla defeased unlimited tax general obligation bonds by placing the proceeds of the new bond in an irrevocable trust account to provide for all future debt service payments on the old bonds. The trust account assets and liability for the defeased bonds are not included in the City of Walla Walla’s financial statements. At December 31, 2017, \$7,835,000 of defeased bonds remain outstanding.

Legal Debt Margin: The City of Walla Walla is subject to a legal limit of indebtedness of 7.5% of the assessed property value, \$2,436,757,258 of which 1.5% may be for General Purpose Debt without a vote of the people, with a vote is 1% or less. Utility purpose limit voted is 2.5% with a vote and 2.5% open space parks and capital facilities, with a vote. The Legal Debt Margin chart in the statistical section of this CAFR provides the detail of the City of Walla Walla’s remaining debt capacity.

Rebatable Arbitrage: Arbitrage occurs when the City invests funds borrowed at tax-exempt interest rates in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when due and payable. The City did not have any arbitrage excess earnings liability to report in 2017.

NOTE 12 – LEASES

Operating Leases

The City leases a building, office equipment and other equipment under non-cancelable operating leases. Total costs for such leases were \$95,572 for the year ended December 31, 2017.

The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2018	\$40,753
2019	16,049
2020	15,499
2021	12,749
2022	3,600
2023-2027	19,200
Total	\$107,849

Capital Leases

The City of Walla Walla has entered into a lease agreement for financing equipment with a down payment of \$44,185. These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Business-type Activities
Excavator #1	\$100,971
Excavator #2	146,033
Less: accumulated depreciation	(44,598)
Total	\$ 202,406

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2017 were as follows:

Year Ending December 31	Business-type Activities
2018	\$44,185
2019	44,185
2020	44,185
2021	44,185
2022	44,185
2023	2
Total minimum lease payments	220,928
Less: interest	18,110
Present value of minimum lease payments	\$ 202,818

NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

Long-term Liability activity for the year ended December 31, 2017 was as follows:

	Beginning 1/1/2017	Additions	Reductions	Ending 12/31/2017	One Year
<u>Governmental Activities</u>					
Bonds payable:					
General obligation bonds	\$17,653,183	\$ -	\$ 1,073,539	\$16,579,644	\$ 1,135,806
Bond premiums	1,177,887	-	83,981	1,093,906	-
Total bonds payable	18,831,070	-	1,157,520	17,673,550	1,135,806
Special assessment bonds	141,848	-	35,000	106,848	25,000
Compensated absences	1,856,672	1,317,237	1,573,689	1,600,220	1,449,733
Workers compensation claims	189,070	187,166	233,691	142,545	18,593
Firemens' pension liability	2,359,843	26,083	-	2,385,926	-
Net OPEB obligation	6,446,745	2,262,917	1,180,309	7,529,353	-
State pension	8,028,756	-	1,642,380	6,386,376	-
Governmental activity long-term liabilities	\$37,854,004	\$ 3,793,403	\$ 5,822,589	\$35,824,818	\$ 2,629,132
<u>Business-type Activities</u>					
Bonds payable:					
General obligation bonds	9,105,902	2,660,000	749,064	11,016,838	1,003,177
Premiums	249,269	-	16,792	232,477	-
Total bonds payable	9,355,171	2,660,000	765,856	11,249,315	1,003,177
DWSRF Loans	10,630,602	-	2,016,772	8,613,830	2,053,203
Capital leases	202,818	-	-	202,818	38,273
Landfill Closure	4,277,674	-	793,830	3,483,844	-
Federal DWSRF LT2	4,010,450	1,377,487	-	5,387,937	-
Pollution remediation	1,038,453	923,721	-	1,962,174	102,524
Compensated absences	517,137	437,274	493,548	460,863	432,323
Pension Liability	3,020,048	-	719,580	2,300,468	-
Business-type activity long-term liabilities	\$33,052,353	\$ 5,398,482	\$ 4,789,586	\$33,661,249	\$ 3,629,500

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$854,882 of internal service funds net pension liability and compensated absences are included in the above amounts. The general fund, street funds, emergency services fund, and service center fund normally liquidate 90.40%, 2.80%, 6.70% and 0.1% of compensated absences respectively. The fund for which the liability is incurred is responsible for liquidating compensated absence liabilities. In the coming years, the General Fund, the Ambulance Fund, and the Fire Medical and Pension Funds which incurred the pension and OPEB liabilities are responsible for liquidating the liability.

NOTE 14 – CONTINGENCIES AND LITIGATIONS

The City's financial statements include all material liabilities. There are no material contingent liabilities to record other than those noted herein.

The City of Walla Walla was named as a defendant in an action filed in Walla Walla County Superior Court case number 17-2-00178-7 on March 24, 2017 for injuries allegedly sustained by Terry R. Cissne on property jointly owned by the City of Walla Walla, the Walla Walla School District, and Whitman College. The City of Walla Walla contests liability and is being jointly defended by John Manix of

Stevens-Clay. A portion of the City’s potential liability for Mr. Cissne’s claim may not be covered by insurance. The amount of the City of Walla Walla’s potential liability exposure cannot be estimated at this time.

The City of Walla Walla initiated a condemnation action in Walla Walla County Superior Court case number 18-2-00196-1 on March 1, 2018. The City will be liable to pay just compensation for the property condemned and may be liable for the condemnee’s attorney fees and expert witness fees. The amount of the City of Walla Walla’s potential liability exposure is estimated to be no more than \$15,000.

Miscellaneous other minor claims have been made against the City of Walla Walla, which have been tendered to its insurance pool WCIA. Defense and indemnification for any such claims is and will be provided by WCIA. The City reasonably anticipates that it will suffer no liability adverse to its financial condition as a result of any such claims. The estimated aggregate maximum exposure to the City on any claims defended by WCIA is no more than \$1,000.

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.

NOTE 15 – INTERFUND BALANCES AND TRANSFERS

Interfund loans provide upfront, one-time funding for physical improvements from otherwise idle equipment replacement funds. The loans will be fully repaid over time from the fund receiving the physical improvement benefit and tend to be shorter-term in nature. The total interfund loan balance includes \$757,723 which is due within one year and \$2,228,075 which is due in more than one year from the date of the financial statements.

Interfund loans between funds balances owing at the year ended December 31, 2017 are as follows:

Receivable Fund	Amount	Payable Fund	Amount
General	\$300,000	General	\$400,000
Equipment Replacement	2,685,798	Non-Major Government	1,251,836
	-	Major Enterprise	690,394
	-	Non-Major Enterprise	643,568
Total	\$2,985,798	Total	\$2,985,798

Transfers between funds during the year ended December 31, 2017 are as follows:

Transfers From:	General Fund	Non-Major Gov't	Transfers To:			Internal Service	Totals From:
			Water/Wastewater	Other Enterprise			
General fund	\$ -	\$ 2,477,104	\$ -	\$75,000	\$ 5,950	\$2,558,054	
Non-major governmental	60,000	937,770	54,716	71,112	25,000	\$1,148,598	
Water/wastewater	-	1,860,068	-	-	14,889	\$1,874,957	
Sanitation	14,960	-	-	-	-	\$14,960	
Internal services	41,669	-	-	-	95,346	\$137,015	
Total Transfers:	\$116,629	\$5,274,943	\$54,716	\$146,112	\$141,185		

Transfers between funds 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.

NOTE 16 – RECEIVABLE AND PAYABLE BALANCES

Other receivables include customer accounts receivable, 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.

As of December 31, 2017, the City's individual major funds and non-major enterprise funds receivable balances include the applicable allowances for uncollectible accounts as follows:

	Accounts Receivable	Grants Receivable	Other Receivable	Total
Governmental Activities				
General fund	\$ 398,487	\$ 112,229	\$ 15,519	\$ 526,235
Non-major special revenue	140,425	432	-	140,857
Non-major capital projects	-	501,538	-	501,538
Government-type internal service	55,498	-	-	55,498
Total Governmental Activities				\$ 1,224,128
Business-type Activities				
Major proprietary	1,851,498	1,645,793	644	3,497,935
Non-major proprietary	422,342	122,364	-	544,706
Business-type internal service	120,294	-	-	120,294
Total Business-type Activities				\$ 4,162,934

Receivables for the ambulance fund are reported net of allowance for uncollectible accounts. Using historical collection rates, it is estimated that 53% of the receivables or \$264,134 at December 31, 2017 will ultimately prove uncollectible for the ambulance fund.

NOTE 17 – OTHER POST EMPLOYMENT BENEFITS

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members' necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the City's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Membership

A total of 53 retirees are eligible for benefits under this act. This is considered a closed group with no new eligible members.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City’s funding policy is based upon pay-as-you-go financing requirements. Expenses related to the participating retirees who were covered under the firemens’ pension fund totaled \$70,985 in 2017. The benefits paid to the remaining participants (police officers and firemen not covered under the firemens’ pension fund) were remitted out of the general fund and totaled \$129,947.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual Other Postemployment Benefit (OPEB) cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB. The net OPEB obligation of is included as a noncurrent liability on the Statement of Net Position.

**Schedule of OPEB Cost and Net OPEB Obligation
Fiscal Year Ending**

	12/31/2017	12/31/2016	12/31/2015
ANNUAL REQUIRED CONTRIBUTIONS (ARC)			
Annual normal cost (BOY)	\$ -	\$ -	\$ -
Amortization of UAAL (BOY)	2,005,047	2,091,010	2,341,989
ARC at EOY	2,005,047	2,091,010	2,341,989
Interest on net OPEB obligation	257,870	210,498	150,371
Adjustment to ARC	(579,827)	(473,311)	(338,114)
Annual OPEB cost (expense)	1,683,089	1,828,197	2,154,246
Employer contributions	(600,482)	(643,908)	(651,066)
Change in net OPEB obligation	1,082,607	1,184,289	1,503,180
Net OPEB obligation, beginning of year	6,446,745	5,262,456	3,759,276
Net OPEB obligation, end of year	\$7,529,352	\$6,446,745	\$5,262,456

The City’s OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two-preceding year were as follows:

Schedule of Percentage of Annual OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$2,154,246	30.20%	\$5,262,456
12/31/2016	\$1,828,197	35.60%	\$6,446,745
12/31/2017	\$1,683,089	35.70%	\$7,529,352

Actuarial Methods and Assumptions

The City’s annual Other Postemployment Benefit (OPEB) calculation is based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of the City’s annual OPEB cost for

the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of is included as a noncurrent liability on the Statement of Net Position.

Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was the Projected Unit Credit. The AAL and open basis as a level dollar over 15 years. These assumptions are individual and collectively reasonable for the purpose of this valuation.

Funding Status and Funding Progress

The City's actuarial update on the funding status for each plan is as follows:

Actuarial accrued liability (AAL)	\$	22,292,886
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	22,292,886
Funded ratio (actuarial value of plan assets ÷ AAL)		0.0%
Covered payroll		-
UAAL as a percentage of covered payroll		-

NOTE 18 – CLOSURE AND POST-CLOSURE CARE COSTS

Background: The City of Walla Walla owns three landfills: 1) Sudbury Road Landfill (SRL); 2) the closed Tausick Way Landfill (TWL); and 3) the Isaacs Inert Waste Landfill (IIWL/Burdine property). The SRL covers approximately 125 acres and is located within the western portion of an 829-acre City-owned section of land zoned as Public Reserve. Municipal Solid Waste (MSW) has been placed in five separate areas at the SRL – Areas 1, 2, 5, 6, and 7. Areas 1, 2, 5 and 6 are closed, unlined cells, and contain MSW. Area 7 is a lined cell that has been in operation since 2006 and is actively receiving MSW. Area 7 has a projected capacity until 2027, when the area will either be closed or a revised permit submitted for vertical expansion to 2038. Area 6 reached its capacity in 2008 and was closed in accordance with WAC 173-351. The City is currently performing monitoring of Area 6.

Operations at the 78 acre Tausick Way Landfill (TWL) ceased in 1979 and was closed under the regulations at the time. The TWL is maintained through the Landfill's operations and management budget which includes mowing, pesticide spraying, methane monitoring, and fence repair.

The Isaacs Inert Waste Landfill (also known as the IIWL/Burdine property) is permitted as an inert waste disposal site and is used and monitored by the City. The IIWL is nearing capacity and the top cover is being constructed over portions of the inert waste landfill. Inert waste disposal is expected to cease by 2020.

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, the City must record a portion of these closure and post-closure 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. A permit modification for Area 7 was submitted to the Department of Health and the Department of Ecology in December 2016 for Cell 3. The expansion permit was formally approved by the Department of Ecology on February 22, 2017. With this expansion (constructed in the spring/summer of 2017) Area 7 will have a total permitted capacity of 1,813,000 cubic yards. As of June 19, 2017, and with this expansion, Area 7 is approximately 50% filled. The volume of only Cells 1 and 2 (without Cell 3) was 992,000 cubic yards, and 92% full, as of the June 19, 2017 survey.

The permit revision for Area 7, Cell 3 included a revision to the closure and post-closure plan. The total long-term closure and post-closure costs for Area 7 (Cells 1-3) is estimated at \$4,022,773 (in 2017 dollars). However, when adjusted for capacity used, the amount of the liability for closure and post-closure is \$2,101,608. As of December 31, 2017, cash of \$3,154,544 has been accumulated and set aside for estimated closure and post-closure costs. The financial assurance plan for the City has been updated. Closure and post-closure costs will be met through rate revenues and the potential for grant funding.

On March 11, 2013, a consultant for the City of Walla Walla presented an estimate for the cost of closure and post-closure for the IWL/Burdine property. Closure costs are estimated at \$700,000 (revised down in December 2017 after partial construction of the landfill cap) and possible post-closure monitoring costs are estimated at \$75,804 per year. Based on the consultant's estimated probabilities for the duration of the long-term monitoring, the City has recorded a liability in the amount of \$682,236 for post-closure costs associated with the IWL/Burdine property.

As part of its budget process, the City reviews the closure and post-closure cost estimate from the landfill consultant and adjusts the liability to account 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 ongoing operations and cap construction, inflation, deflation, technology or changes in applicable laws or regulations.

NOTE 19 – TERMINATION BENEFITS

Termination benefits are determined on a case by case basis. The City of Walla Walla did not enter into any termination commitments or arrangements during fiscal year 2017.

NOTE 20 – POLLUTION REMEDIATION OBLIGATIONS

Governmental Accounting Standards Board (GASB) Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations, became effective for fiscal periods beginning after December 15, 2007. GASB Statement 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.

The Sudbury Road Landfill is a City-owned and operated landfill which the Washington State Department of Ecology (DOE) determined required remediation in 2008 pursuant to Model Toxics Control Act (MTCA). The City of Walla Walla entered into Agreed Order No. 8456 with the Washington State Department of Ecology in 2011 and completed a remedial investigation/feasibility study. In 2015, the Department of Ecology prepared a Cleanup Action Plan (CAP) that describes the activities that will be required to implement the selected remedy. The requirements of the CAP were incorporated into Consent Decree 15-2-00536-8 (Decree) in August 2015. The remedy was constructed in 2016. Operation of the remediation systems, long-term monitoring, and reporting will be conducted until specific cleanup levels in groundwater are achieved. At a minimum the remediation will extend through 2020.

Two Toxic Cleanup Remedial Action Grants have been received from the Washington State DOE. The grants provide a 75% state-funded grant share with a 25% recipient contribution to cover remediation costs. Agreement No. TCPRA-2014-WalWal-00009 dated January 1, 2014, provided grant funding for the Remedial Investigation and Feasibility Study. Agreement No. TCPRA-2015-WalWal-00050 provided additional funds for the remedy design, construction, monitoring, and reporting activities that are required under the Decree. The second grant bridged the funding through June 30, 2019. The City's financial liability has been further reduced by insurance coverage reimbursement payments.

The post-remediation liability was calculated for financial assurance purposes in accordance with the MTCA grant. This liability is based on a planning-level cost estimate to complete the cleanup action on a ten-year post-remediation scenario. Costs included in the calculation include anticipated post-remediation monitoring, annual inspections, and payments to the DOE.

Pursuant to GASB Statement 49, the City is reporting a \$1,006,135 liability in its landfill fund for its estimated post-remediation liability. The obligation is an estimate subject to changes resulting from price increases or reductions, technology, DOE requirements, or laws and regulations. In 2016, the DOE required that the City reserve \$599,311 in a financial assurance account to cover expected monitoring expenditures.

The TWL is a closed, formerly permitted municipal waste landfill which was operated by the City between the 1940s and 1970s. On May 30, 2013, the City of Walla Walla received an Early Notice from DOE for its TWL property. The DOE subsequently decided the TWL property will be added to the Confirmed and Suspected Contaminated Sites database and that a Site Hazard Assessment will be conducted. At this time, the associated pollution remediation liability, if any, cannot be reasonably estimated. The City continues to monitor the potential for off-site migration of landfill gas. No significant landfill gas has been detected off-property to date.

The IIWL/Burdine property was formerly privately held property that, according to available records, appears to have had a history of sand and gravel mining and subsequent solid and inert waste disposal. It is adjacent to the City's closed TWL, and is located at 2740 East Isaacs Avenue, Walla Walla, Washington. The City purchased the property in 1999 to resolve a garbage trespass claim and maintains ownership today. On February 4, 2004, the City of Walla Walla received an Early Notice letter from DOE for the IIWL/Burdine property stating that contaminated soil was reportedly found on the IIWL/Burdine property. Remedial studies were performed and the City was granted an inert landfill permit for the IIWL/Burdine property in 2006 which requires the City to perform groundwater monitoring.

In 2012 the City received a \$200,000 Integrated Planning Grant from DOE to study whether the IIWL/Burdine property could be redeveloped as a brownfield development. The study looked at three options, two development scenarios and one scenario to cap and close the IIWL/Burdine property. Planning level estimates for each scenario were developed by the consultant. If DOE requires remedial action at the IIWL/Burdine property, the City's remediation liability in 2017 dollars is estimated to be \$956,039.

As part of its budget process, the City reviews the remediation cost estimate from the 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 remediation cost is an estimate and subject to change resulting from inflation, deflation, technology or changes in applicable laws or regulations.

NOTE 21 – ACCOUNTING AND REPORTING CHANGES

Adoption of the new GASB Statement 77 – Fair Measurement and Application

Issued in August of 2015, this Statement establishes the financial reporting standards for tax abatement agreements entered by state and local governments. There was no financial impact to the City due to the implementation of this standard.

Change in Accounting Method of Recording Property Tax Receivable

In previous years, the City included the amounts levied for the following year's general and voted debt service in the year-end property taxes receivable balance. In 2017, this method was corrected to

recognize property tax revenue upon receipt of cash. At year-end, property taxes receivable are reported as of December 31, with the portion not expected to be collected within 60 days, offset by unavailable revenue.

NOTE 22 – SUBSEQUENT EVENTS

In March 2018, the City received notice of impending grant awards for three stormwater projects and one street project that had the potential of reimbursing the City for costs incurred during 2017. At this time, insufficient data are available to determine the financial impact of the grants.

NOTE 23 – TAX ABATEMENT

Under the provisions of the Preservation Tax Exemption program (RCW 84.14), the City has taken advantage of the option to provide targeted property tax exemption to existing property owners who agree to restrict rents and provide income-eligibility for a portion of the units within their properties. The purpose of this program incentivizes the creation of affordable and improved housing quality and prevent displacement for citizens that are in the most need. The City has a comprehensive program that has specific parameters for project eligibility and duration of exemption.

The City Council passed Ordinance 2005-11 on June 8, 2005 establishing eligibility criteria which includes at a minimum: property must be located in the downtown area pursuant to Municipal Code 20.06.030 and must include affordable housing to low-income households for 10% of the multi-units available for rent. The maximum length of the property tax exemption is 10 years. Provided on the property’s ability to meet the eligibility criteria and that the property owner continues to fulfill the requirements of affordable housing, the property will receive a property tax exemption on the appraised value of improvements, regardless of assessed valuation. This exemption is not extended to the appraised value of land or non-eligible improvements on the same parcel. The tax abatement did not result in a reduction or loss of revenue to the City because, pursuant to Washington State law, these taxes were reallocated to other property taxpayers.

Under the provisions for Investment Projects in Rural Counties (RCW 82.60), the Washington State Department of Revenue has entered into agreement with the City for a deferral of High Unemployment County Sales and Use Tax I for Manufacturing Facilities. The City of Walla Walla does not have a receivable balance from the Department of Revenue for forgone tax revenue.

As of December 31, 2017, the City’s projects that are currently subject to property and use tax abatement and the total are as follows:

Tax Abatement Program	Property Tax Abated 12/31/2017
Property Tax Exemption for Affordable Multi-Family Housing	\$13,350
High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities	\$17,991
Total	<u>\$31,341</u>

NOTE 24 – EXTRAORDINARY EVENTS

The City had one blended component unit, the Walla Walla Transportation Benefit District (TBD), which was a legally separate entity until September 4, 2017 by action of City Council through Ordinance 2017-28. At that time, the City of Walla Walla assumed the rights, powers, and functions of the TBD. To close the TBD, the ending fund balance on the date of dissolution was transferred to a construction fund in support of streets projects previously supported by the TBD.

NOTE 25 – PRIOR PERIOD ADJUSTMENTS

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

A prior period adjustment was necessary for a request the City submitted in December 2015, for a refund of state excise taxes paid by the City in fiscal years 2011 through 2015 to the Washington State Department of Revenue (DOR). The DOR completed their review in May 2017 and issued a check in the amount of \$832,761 for the overpayment of utility excise taxes.

Government-Wide Statement of Net Position and Statement of Activities

A prior period adjustment was necessary to remove the recording of the 2017 general and voted-debt property taxes receivable amount from the 2016 year-end property taxes receivable balance. The adjustment to the 2016 property taxes receivable balance resulted in a decrease in the government wide net position in the amount of \$7,382,563.

In addition, an adjustment was necessary to add the deferred outflow of resources resulting from the 2016 refunding bond of \$7,835,000 of the 2009 Unlimited Tax General Obligation police station bond. The acquisition price exceeded the net carrying amount of the old debt by \$684,002. The City also removed the remaining balance of the unamortized premium of the original 2009 bond. The adjustment for the 2016 debt refunding is \$717,555.

The prior period adjustments are summarized below:

	Governmental Activities	Business-type Activities	Total
2016 change in accounting method	\$ (7,382,563)	-	\$ (7,382,563)
2016 UTGO bond refunding	717,555	-	717,555
Refund of state excise tax	-	832,761	832,761
Prior Period Adjustment	\$ (6,665,008)	832,761	\$ (5,832,247)

“There's a big difference between loving to work and loving the work.”

-Timothy D. Cook
CEO, Apple

REQUIRED SUPPLEMENTAL INFORMATION

This part of the City of Walla Walla's comprehensive annual financial report presents other information as required.

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**City of Walla Walla
General Fund
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017**

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Sales tax	\$ 15,586,350	\$ 14,966,350	\$ 6,659,300	\$ (8,307,050)
Property tax	11,938,970	11,733,980	5,702,470	(6,031,510)
Other tax	15,382,560	15,496,730	7,758,850	(7,737,880)
Licenses and permits	2,165,280	2,091,360	839,770	(1,251,590)
Intergovernmental revenues	3,034,440	3,303,630	1,965,970	(1,337,660)
Charges for goods and services	16,058,520	16,331,950	8,006,650	(8,325,300)
Fines and forfeits	455,600	420,860	178,960	(241,900)
Miscellaneous revenues	752,020	1,323,910	1,028,560	(295,350)
Total revenues	<u>65,373,740</u>	<u>65,668,770</u>	<u>32,140,530</u>	<u>(33,528,240)</u>
EXPENDITURES				
Current:				
General government	16,806,990	16,650,185	8,099,760	(8,550,425)
Public safety	29,230,420	29,074,630	14,532,370	(14,542,260)
Utilities and environment	5,757,050	5,829,380	2,895,890	(2,933,490)
Economic environment	948,370	1,180,810	766,560	(414,250)
Culture and recreation	7,972,920	8,141,040	4,128,880	(4,012,160)
Social services	50,000	177,400	155,430	(21,970)
Debt service:				
Interest	700	300	-	(300)
Capital outlay:				
General government	165,230	144,460	25,130	(119,330)
Public safety	30,000	30,300	14,970	(15,330)
Culture and recreation	-	77,100	23,500	(53,600)
Total expenditures	<u>60,961,680</u>	<u>61,305,605</u>	<u>30,642,490</u>	<u>(30,663,115)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,412,060</u>	<u>4,363,165</u>	<u>1,498,040</u>	<u>(2,865,125)</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	5,060	5,060	-
Transfers in	224,340	224,340	116,630	(107,710)
Transfers out	(4,653,810)	(4,996,760)	(2,558,060)	2,438,700
Total other financing sources, uses and special items	<u>(4,429,470)</u>	<u>(4,767,360)</u>	<u>(2,436,370)</u>	<u>2,330,990</u>
Net change in fund balances	(17,410)	(404,195)	(938,330)	(534,135)
Fund balances -- beginning	<u>5,345,270</u>	<u>5,345,270</u>	<u>5,345,270</u>	<u>-</u>
Fund balances -- ending	<u>\$ 5,327,860</u>	<u>\$ 4,941,080</u>	<u>\$ 4,406,940</u>	<u>\$ (534,140)</u>

Figures are rounded to the nearest ten dollars.

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

City of Walla Walla
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2017
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Employer's proportion of the net pension liability (asset)</u>	0.095323%	0.094658%	0.092117%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ 4,523,151	\$ 5,083,581	\$ 4,818,576
TOTAL	\$ 4,523,151	\$ 5,083,581	\$ 4,818,576
<u>Employer's covered employee payroll</u>	\$ 121,548	\$ 116,353	\$ 104,077
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	3721.29%	4369.10%	4629.82%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	61.24%	57.03%	59.10%

Notes to Schedule:

Valuation Date: June 30, 2016

Cost Method: Entry Age Normal

Inflation: 3.0%

Salary Increase: 3.75%

Investment Rate of Return: 7.50 %

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table.

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2017
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Employer's proportion of the net pension liability (asset)</u>	0.119835%	0.118477%	0.116406%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ 4,163,693	\$ 5,965,223	\$ 4,159,253
TOTAL	\$ 4,163,693	\$ 5,965,223	\$ 4,159,253
<u>Employer's covered employee payroll</u>	\$ 12,229,108	\$ 11,385,254	\$ 10,917,362
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	34.05%	52.39%	38.10%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	90.97%	85.82%	89.20%

Notes to Schedule:

Valuation Date: June 30, 2016

Cost Method: Entry Age Normal

Inflation: 3.0%

Salary Increase: 3.75%

Investment Rate of Return: 7.50 %

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table.

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2017
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Employer's proportion of the net pension liability (asset)</u>	0.101943%	0.104522%	0.105656%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ (1,546,700)	\$ (1,076,875)	\$ (1,273,388)
<u>TOTAL</u>	\$ (1,546,700)	\$ (1,076,875)	\$ (1,273,388)
<u>Employer's covered employee payroll</u>	\$ -	\$ -	\$ -
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	0.00%	0.00%	0.00%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	135.96%	123.74%	127.36%

Notes to Schedule:

Valuation Date: June 30, 2016

Cost Method: Entry Age Normal

Inflation: 3.0%

Salary Increase: 3.75%

Investment Rate of Return: 7.50 %

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table.

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2017
Last Ten Fiscal Years*

	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.303723%	0.273693%	0.277581%
Employer's proportionate share of the net pension liability (asset)	\$ (4,214,691)	\$ (1,591,881)	\$ (2,852,978)
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer	\$ (2,733,991)	\$ (1,037,790)	\$ (137,841)
TOTAL	\$ (6,948,682)	\$ (2,629,671)	\$ (2,990,819)
Employer's covered employee payroll	\$ 9,266,556	\$ 8,995,544	\$ 8,192,390
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	113.36%	106.04%	111.67%

Notes to Schedule:

Valuation Date: June 30, 2016

Cost Method: Entry Age Normal

Inflation: 3.0%

Salary Increase: 3.75%

Investment Rate of Return: 7.50 %

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table.

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Employer Contributions
PERS 1
As of December 31, 2017
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Statutorily or contractually required contributions</u>	\$ 611,015	\$ 555,681	\$ 480,611	\$ 404,980	\$ 303,071	\$ 119,317	\$ 12,615	\$ 16,264	\$ 30,124	\$ 34,516
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (611,015)	\$ (555,681)	\$ (480,611)	\$ (404,980)	\$ (303,071)	\$ (119,317)	\$ (12,615)	\$ (16,264)	\$ (30,124)	\$ (34,516)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered employer payroll</u>	\$ 121,548	\$ 116,353	\$ 104,077	\$ 114,988	\$ 144,610	\$ 172,859	\$ 214,970	\$ 315,798	\$ 436,435	\$ 517,395
<u>Contributions as a percentage of covered employee payroll</u>	502.69%	477.58%	461.78%	352.19%	209.58%	69.03%	5.87%	5.15%	6.90%	6.67%

Notes to Schedule:

Valuation Date: June 30, 2016

Cost Method: Entry Age Normal

Inflation: 3.0%

Salary Increase: 3.75%

Investment Rate of Return: 7.50 %

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table.

City of Walla Walla
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2017
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Statutorily or contractually required contributions</u>	\$ 827,402	\$ 709,084	\$ 602,117	\$ 488,418	\$ 440,889	\$ 528,487	\$ 526,811	\$ 506,642	\$ 673,380	\$ 635,308
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (827,402)	\$ (709,084)	\$ (602,117)	\$ (488,418)	\$ (440,889)	\$ (528,487)	\$ (516,811)	\$ (506,642)	\$ (673,380)	\$ (635,308)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered employer payroll</u>	\$ 12,229,108	\$ 11,385,254	\$ 10,917,363	\$ 9,779,302	\$ 9,290,243	\$ 9,039,970	\$ 8,889,737	\$ 9,837,381	\$ 9,855,312	\$ 9,230,592
<u>Contributions as a percentage of covered employee payroll</u>	6.77%	6.23%	5.52%	4.99%	4.75%	5.85%	5.93%	5.15%	6.83%	6.88%

Notes to Schedule:

Valuation Date: June 30, 2016

Cost Method: Entry Age Normal

Inflation: 3.0%

Salary Increase: 3.75%

Investment Rate of Return: 7.50 %

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table.

City of Walla Walla
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2017
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Statutorily or contractually required contributions</u>	\$ 476,302	\$ 454,340	\$ 413,118	\$ 397,591	\$ 369,799	\$ 377,328	\$ 372,667	\$ 375,611	\$ 363,290	\$ 347,866
Contributions in relation to the statutorily or contractually required contributions	\$ (476,302)	\$ (454,340)	\$ (413,118)	\$ (397,591)	\$ (369,799)	\$ (377,328)	\$ (372,667)	\$ (375,611)	\$ (363,290)	\$ (347,866)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered employer payroll</u>	\$ 9,266,556	\$ 8,995,544	\$ 8,192,390	\$ 7,873,077	\$ 7,297,391	\$ 7,427,670	\$ 7,336,003	\$ 7,393,919	\$ 6,983,917	\$ 6,643,718
<u>Contributions as a percentage of covered employee payroll</u>	5.14%	5.05%	5.04%	5.05%	5.07%	5.08%	5.08%	5.08%	5.20%	5.24%

Notes to Schedule:

Valuation Date: June 30, 2016

Cost Method: Entry Age Normal

Inflation: 3.0%

Salary Increase: 3.75%

Investment Rate of Return: 7.50 %

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table.

City of Walla Walla
Schedule of Changes in Net Pension Liability and Related Ratios
Firemens' Pension Plan
Last Ten Fiscal Years* (expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total pension liability				N/A	N/A	N/A	N/A	N/A	N/A	N/A
Service cost	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	87	87	89	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	117	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	53	(55)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of contributions	(185)	(173)	(167)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	73	(141)	(78)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - beginning	<u>2,421</u>	<u>2,562</u>	<u>2,640</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability - ending (a)	<u>\$ 2,494</u>	<u>\$ 2,421</u>	<u>\$ 2,562</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position										
Contributions - employer	\$ 185	\$ 140	\$ 27	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - state fire insurance premium tax	49	47	45	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of contributions	(185)	(173)	(167)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	(3)	(12)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	47	2	(95)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	<u>61</u>	<u>59</u>	<u>154</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position - ending (b)	<u>108</u>	<u>61</u>	<u>59</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability ending (a) - (b)	<u>\$ 2,386</u>	<u>\$ 2,360</u>	<u>\$ 2,503</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a % of total pension liability (b)/(a)	4.32%	2.53%	2.31%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
				N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation Date: January 1, 2018

Measurement Date: December 31, 2017

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Salary Increases: 3.25%

Investment Rate of Return: 3.5%

Mortality : RP Mortality Table

* The City of Walla Walla presented only years in which information is available.

City of Walla Walla
Schedule of Employer Contributions
Firemens' Pension Plan
Last Ten Fiscal Years* (expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Actuarially/statutorily/contractually determined contribution</u>	\$ 184,705	\$ 172,713	\$ 167,146
<u>Actual contribution in relation to the above</u>	\$ (184,705)	\$ (172,713)	\$ (167,146)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -
<u>Covered employee payroll</u>	\$ -	\$ -	\$ -
<u>Contributions as a % of covered-employee payroll</u>	0.00%	0.00%	0.00%

Notes to Schedule:

Valuation Date: January 1, 2018

Measurement Date: December 31, 2017

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Salary Increases: 3.25%

Investment Rate of Return: 3.5%

Mortality : RP Mortality Table

** The City of Walla Walla presented only years in which information is available.*

City of Walla Walla
Schedule of Investment Returns
Firemens' Pension Plan
Last Ten Fiscal Years* (expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Annual money-weighted rate of return, net of investment expense</u>	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Valuation Date: January 1, 2018

Measurement Date: December 31, 2017

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Salary Increases: 3.25%

Investment Rate of Return: 3.5%

Mortality : RP Mortality Table

** The City of Walla Walla presented only years in which information is available.*

Other Post Employment Benefits
Schedule of Funding Progress
Last Ten Fiscal Years* (expressed in thousands)

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 % Covered Payroll ((b-a)÷c)
12/31/08	\$ -	\$ 16,347,958	\$ 16,347,958	0.0%	\$ 539,280	3031%
12/31/09	\$ -	\$ 15,575,359	\$ 15,575,359	0.0%	\$ 481,332	3236%
12/31/10	\$ -	\$ 15,403,960	\$ 15,403,960	0.0%	\$ 411,735	3741%
12/31/11	\$ -	\$ 14,426,092	\$ 14,426,092	0.0%	\$ 280,572	5142%
12/31/12	\$ -	\$ 15,147,809	\$ 15,147,809	0.0%	\$ 62,945	24065%
12/31/13	\$ -	\$ 14,191,964	\$ 14,191,964	0.0%	\$ -	0.0%
12/31/14	\$ -	\$ 21,083,331	\$ 21,083,331	0.0%	\$ -	0.0%
12/31/15	\$ -	\$ 26,039,136	\$ 26,039,136	0.0%	\$ -	0.0%
12/31/16	\$ -	\$ 23,248,654	\$ 23,248,654	0.0%	\$ -	0.0%
12/31/17	\$ -	\$ 22,292,886	\$ 22,292,886	0.0%	\$ -	0.0%

“The single most important ingredient in the recipe for success is transparency because transparency builds trust.”

-Denise Morrison
CEO, Campbell Soup

NON-MAJOR GOVERNMENTAL FUNDS

Non-major governmental funds generally account for tax-supported activities and fall into the four categories described below.

<u>CONTENTS</u>	<u>PAGE</u>
Governmental Funds <i>Summary of special revenue funds, debt service funds, capital project funds, and permanent funds.</i>	98
Special Revenue Funds <i>Special revenue funds account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes.</i>	100
Debt Service Funds <i>Debt service funds account for the accumulation of resources for, and the payment of, long-term debt principal and interest.</i>	102
Capital Project Funds <i>Capital project funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.</i>	104
Permanent Funds <i>Permanent funds report resources legally restricted to the extent that only earnings, not principal, may be used for the benefit of the City or its citizenry.</i>	106

**City of Walla Walla
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2017**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Permanent</u>	<u>Other Governmental</u>
ASSETS					
Cash and equivalents	\$ 1,260,784	\$ 530,981	\$ 2,300,864	\$ 11,294	\$ 4,103,923
Restricted cash and equivalents	98,731	-	249,886	16,545	365,162
Restricted investments	562,860	-	-	-	562,860
Investments	731,012	-	-	-	731,012
Taxes receivable (net)	-	38,099	-	-	38,099
Other receivables (net)	140,857	-	501,538	-	642,395
Special assessments receivable	-	77,561	-	-	77,561
Interest receivable	1,762	-	-	-	1,762
Pool pledged receivable	-	-	102,500	-	102,500
Total assets	<u>\$ 2,796,006</u>	<u>\$ 646,641</u>	<u>\$ 3,154,788</u>	<u>\$ 27,839</u>	<u>\$ 6,625,274</u>
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES					
Liabilities:					
Accounts payable	\$ 157,144	\$ -	\$ 110,288	\$ -	\$ 267,432
Other accrued liabilities	60,275	-	375,070	-	435,345
Interfund loans payable	94,988	106,848	1,050,000	-	1,251,836
Total liabilities	<u>\$ 312,407</u>	<u>\$ 106,848</u>	<u>\$ 1,535,358</u>	<u>\$ -</u>	<u>\$ 1,954,613</u>
Deferred inflows of resources:					
Property taxes	\$ -	\$ 32,860	\$ -	\$ -	\$ 32,860
Special assessments	-	77,561	-	-	77,561
Pledged revenue for pool	-	-	102,500	-	102,500
Grants received in advance	-	-	249,886	-	249,886
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 110,421</u>	<u>\$ 352,386</u>	<u>\$ -</u>	<u>\$ 462,807</u>
Fund Balances:					
Nonspendable	\$ -	\$ -	\$ -	\$ 16,545	\$ 16,545
Restricted	727,232	434,550	1,516,266	-	2,678,048
Committed	1,754,446	64,902	749,638	-	2,568,986
Assigned	1,921	-	15,929	11,294	29,144
Unassigned	-	(70,080)	(1,014,789)	-	(1,084,869)
Total fund balances	<u>\$ 2,483,599</u>	<u>\$ 429,372</u>	<u>\$ 1,267,044</u>	<u>\$ 27,839</u>	<u>\$ 4,207,854</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,796,006</u>	<u>\$ 646,641</u>	<u>\$ 3,154,788</u>	<u>\$ 27,839</u>	<u>\$ 6,625,274</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2017

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Permanent</u>	<u>Other Governmental</u>
REVENUES					
Sales tax	\$ 1,745,072	\$ -	\$ 426,746	\$ -	\$ 2,171,818
Property tax	-	1,438,776	-	-	1,438,776
Other tax	788,906	-	-	-	788,906
Licenses and permits	300,793	-	-	-	300,793
Intergovernmental revenues	845,801	-	1,981,843	-	2,827,644
Charges for goods and services	238,600	-	-	-	238,600
Fines and forfeitures	17,311	-	-	-	17,311
Miscellaneous revenues	68,896	65,868	655,956	200	790,920
Total revenues	<u>\$ 4,005,379</u>	<u>\$ 1,504,644</u>	<u>\$ 3,064,545</u>	<u>\$ 200</u>	<u>\$ 8,574,768</u>
EXPENDITURES					
Current:					
General government	\$ -	\$ -	\$ 6,828	\$ -	\$ 6,828
Public safety	35,632	-	-	-	35,632
Transportation	3,469,420	-	162,655	-	3,632,075
Economic environment	1,335,005	-	-	-	1,335,005
Culture and recreation	-	-	121,806	-	121,806
Debt service:					
Principal retirement	-	1,073,539	-	-	1,073,539
Interest	4,194	538,597	1,471	-	544,262
Administrative charges	-	2,421	-	-	2,421
Capital outlay:					
General government	-	-	240,524	-	240,524
Public safety	10,000	-	-	-	10,000
Transportation	6,643	-	3,905,646	-	3,912,289
Culture and recreation	-	-	1,574,447	-	1,574,447
Total expenditures	<u>\$ 4,860,894</u>	<u>\$ 1,614,557</u>	<u>\$ 6,013,377</u>	<u>\$ -</u>	<u>\$ 12,488,828</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (855,515)</u>	<u>\$ (109,913)</u>	<u>\$ (2,948,832)</u>	<u>\$ 200</u>	<u>\$ (3,914,060)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 1,693,107	\$ 192,698	\$ 3,389,138	\$ -	\$ 5,274,943
Transfers out	(992,069)	-	(156,529)	-	(1,148,598)
Total other financing sources and uses	<u>\$ 701,038</u>	<u>\$ 192,698</u>	<u>\$ 3,232,609</u>	<u>\$ -</u>	<u>\$ 4,126,345</u>
SPECIAL ITEM					
Transfer of TBD operations to city	<u>\$ (1,137,488)</u>	<u>\$ -</u>	<u>\$ 1,137,488</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	(1,291,965)	82,785	1,421,265	200	212,285
Fund balances -- beginning	3,775,564	346,587	(154,221)	27,639	3,995,569
Fund balances -- ending	<u>\$ 2,483,599</u>	<u>\$ 429,372</u>	<u>\$ 1,267,044</u>	<u>\$ 27,839</u>	<u>\$ 4,207,854</u>

City of Walla Walla
Combining Balance Sheet
Non-Major Special Revenue Funds
December 31, 2017

	Streets	Capital Improvement	Housing Development	Hotel/ Motel Tax	Tourism Promotion	Drug Fund	Community Development	Code Enforcement	Cemetery Reserve	Transportation Benefit District	Total Special Revenue
ASSETS											
Cash and equivalents	\$ 477,167	\$ 265,584	\$ 46,332	\$ 168,082	\$ 66,624	\$ 100,871	\$ -	\$ 123,974	\$ 12,150	\$ -	\$ 1,260,784
Restricted cash and equivalents	-	-	-	-	-	-	-	-	98,731	-	98,731
Restricted investments	-	-	-	-	-	199,054	-	-	363,806	-	562,860
Investments	298,570	-	99,530	-	-	-	-	99,530	233,382	-	731,012
Other receivables (net)	75,803	35,832	-	-	-	2,903	-	26,158	161	-	140,857
Interest receivable	23	-	174	-	-	199	-	157	1,209	-	1,762
Total assets	<u>\$ 851,563</u>	<u>\$ 301,416</u>	<u>\$ 146,036</u>	<u>\$ 168,082</u>	<u>\$ 66,624</u>	<u>\$ 303,027</u>	<u>\$ -</u>	<u>\$ 249,819</u>	<u>\$ 709,439</u>	<u>\$ -</u>	<u>\$ 2,796,006</u>
LIABILITIES and FUND BALANCES											
Liabilities:											
Accounts payable	\$ 49,284	\$ -	\$ -	\$ 41,507	\$ 65,923	\$ 430	\$ -	\$ -	\$ -	\$ -	\$ 157,144
Other accrued liabilities	60,275	-	-	-	-	-	-	-	-	-	60,275
Interfund loans payable	94,988	-	-	-	-	-	-	-	-	-	94,988
Total liabilities	<u>\$ 204,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,507</u>	<u>\$ 65,923</u>	<u>\$ 430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,407</u>
Fund balances:											
Restricted	\$ -	\$ 297,359	\$ -	\$ 126,575	\$ 701	\$ 302,597	\$ -	\$ -	\$ -	\$ -	\$ 727,232
Committed	647,016	4,057	146,036	-	-	-	-	249,819	707,518	-	1,754,446
Assigned	-	-	-	-	-	-	-	-	1,921	-	1,921
Total fund balances	<u>\$ 647,016</u>	<u>\$ 301,416</u>	<u>\$ 146,036</u>	<u>\$ 126,575</u>	<u>\$ 701</u>	<u>\$ 302,597</u>	<u>\$ -</u>	<u>\$ 249,819</u>	<u>\$ 709,439</u>	<u>\$ -</u>	<u>\$ 2,483,599</u>
Total liabilities and fund balances	<u>\$ 851,563</u>	<u>\$ 301,416</u>	<u>\$ 146,036</u>	<u>\$ 168,082</u>	<u>\$ 66,624</u>	<u>\$ 303,027</u>	<u>\$ -</u>	<u>\$ 249,819</u>	<u>\$ 709,439</u>	<u>\$ -</u>	<u>\$ 2,796,006</u>

City of Walla Walla
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended December 31, 2017

	Streets	Capital Improvement	Housing Development	Hotel/Motel Tax	Tourism Promotion	Drug Fund	Community Development	Code Enforcement	Cemetery Reserve	Transportation Benefit District	Total Special Revenue
REVENUES											
Sales tax	\$ -	\$ -	\$ -	\$ 935,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 809,771	\$ 1,745,072
Other tax	-	452,590	-	-	336,316	-	-	-	-	-	788,906
Licenses and permits	300,793	-	-	-	-	-	-	-	-	-	300,793
Intergovernmental revenues	845,801	-	-	-	-	-	-	-	-	-	845,801
Charges for goods and services	239,004	-	-	-	-	-	-	-	(404)	-	238,600
Fines and forfeitures	-	-	-	-	-	17,311	-	-	-	-	17,311
Miscellaneous revenues	4,641	2,443	22,781	1,025	701	22,787	-	3,262	5,007	6,249	68,896
Total revenues	\$ 1,390,239	\$ 455,033	\$ 22,781	\$ 936,326	\$ 337,017	\$ 40,098	\$ -	\$ 3,262	\$ 4,603	\$ 816,020	\$ 4,005,379
EXPENDITURES											
Current:											
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,606	\$ -	\$ 8,026	\$ -	\$ -	\$ 35,632
Transportation	3,466,829	-	-	-	-	-	-	-	-	2,591	3,469,420
Economic environment	-	-	59,084	916,102	352,261	-	7,558	-	-	-	1,335,005
Debt service:											
Interest	4,194	-	-	-	-	-	-	-	-	-	4,194
Capital Outlay:											
Public safety	-	-	-	-	-	10,000	-	-	-	-	10,000
Transportation	6,643	-	-	-	-	-	-	-	-	-	6,643
Total expenditures	\$ 3,477,666	\$ -	\$ 59,084	\$ 916,102	\$ 352,261	\$ 37,606	\$ 7,558	\$ 8,026	\$ -	\$ 2,591	\$ 4,860,894
Excess (deficiency) of revenues over expenditures	\$ (2,087,427)	\$ 455,033	\$ (36,303)	\$ 20,224	\$ (15,244)	\$ 2,492	\$ (7,558)	\$ (4,764)	\$ 4,603	\$ 813,429	\$ (855,515)
OTHER FINANCING SOURCES (USES)											
Transfers in	\$ 1,693,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,693,107
Transfers out	(74,365)	(465,400)	-	-	-	-	-	-	(60,000)	(392,304)	(992,069)
Total other financing sources and uses	\$ 1,618,742	\$ (465,400)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (60,000)	\$ (392,304)	\$ 701,038
SPECIAL ITEM											
Transfer of TBD operations to city	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,137,488)	\$ (1,137,488)
Net change in fund balances	(468,685)	(10,367)	(36,303)	20,224	(15,244)	2,492	(7,558)	(4,764)	(55,397)	(716,363)	(1,291,965)
Fund balance - beginning	1,115,701	311,783	182,339	106,351	15,945	300,105	7,558	254,583	764,836	716,363	3,775,564
Fund balance - ending	\$ 647,016	\$ 301,416	\$ 146,036	\$ 126,575	\$ 701	\$ 302,597	\$ -	\$ 249,819	\$ 709,439	\$ -	\$ 2,483,599

**City of Walla Walla
Combining Balance Sheet
Non-Major Debt Service Funds
December 31, 2017**

	<u>L.T.G.O. Bond</u>	<u>Fire Station U.T.G.O. Bond</u>	<u>Police Station U.T.G.O. Bond</u>	<u>Pool U.T.G.O. Bond</u>	<u>LID Bond Fund</u>	<u>LID Guarantee</u>	<u>Total Non-Major Debt Service</u>
ASSETS							
Cash and equivalents	\$ 2,892	\$ 143,836	\$ 297,001	\$ 15,171	\$ 36,768	\$ 35,313	\$ 530,981
Taxes receivable	-	9,499	21,132	7,468	-	-	38,099
Special assessments receivable	-	-	-	-	77,561	-	77,561
Total assets	<u>\$ 2,892</u>	<u>\$ 153,335</u>	<u>\$ 318,133</u>	<u>\$ 22,639</u>	<u>\$ 114,329</u>	<u>\$ 35,313</u>	<u>\$ 646,641</u>
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES							
Liabilities:							
Interfund loans payable	\$ -	\$ -	\$ -	\$ -	\$ 106,848	\$ -	\$ 106,848
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,848</u>	<u>\$ -</u>	<u>\$ 106,848</u>
Deferred inflows of resources:							
Property taxes	\$ -	\$ 8,202	\$ 18,268	\$ 6,390	\$ -	\$ -	\$ 32,860
Special assessments	-	-	-	-	77,561	-	77,561
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 8,202</u>	<u>\$ 18,268</u>	<u>\$ 6,390</u>	<u>\$ 77,561</u>	<u>\$ -</u>	<u>\$ 110,421</u>
Fund balances:							
Restricted	\$ -	\$ 127,173	\$ 291,184	\$ 16,193	\$ -	\$ -	\$ 434,550
Committed	2,892	17,960	8,681	56	-	35,313	64,902
Unassigned	-	-	-	-	(70,080)	-	(70,080)
Total fund balances	<u>\$ 2,892</u>	<u>\$ 145,133</u>	<u>\$ 299,865</u>	<u>\$ 16,249</u>	<u>\$ (70,080)</u>	<u>\$ 35,313</u>	<u>\$ 429,372</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,892</u>	<u>\$ 153,335</u>	<u>\$ 318,133</u>	<u>\$ 22,639</u>	<u>\$ 114,329</u>	<u>\$ 35,313</u>	<u>\$ 646,641</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Debt Service Funds
For the Year Ended December 31, 2017

	<u>L.T.G.O. Bond</u>	<u>Fire Station U.T.G.O. Bond</u>	<u>Police Station U.T.G.O. Bond</u>	<u>Pool U.T.G.O. Bond</u>	<u>LID Bond Fund</u>	<u>LID Guarantee</u>	<u>Total Non-Major Debt Service</u>
REVENUES							
Property tax	\$ -	\$ 333,629	\$ 769,989	\$ 335,158	\$ -	\$ -	\$ 1,438,776
Miscellaneous revenues	-	1,868	3,863	676	59,461	-	65,868
Total revenues	<u>\$ -</u>	<u>\$ 335,497</u>	<u>\$ 773,852</u>	<u>\$ 335,834</u>	<u>\$ 59,461</u>	<u>\$ -</u>	<u>\$ 1,504,644</u>
EXPENDITURES							
Debt service:							
Principal retirement	\$ 158,539	\$ 270,000	\$ 485,000	\$ 160,000	\$ -	\$ -	\$ 1,073,539
Interest	34,159	56,848	269,475	171,690	6,425	-	538,597
Administrative charges	600	170	837	814	-	-	2,421
Total expenditures	<u>\$ 193,298</u>	<u>\$ 327,018</u>	<u>\$ 755,312</u>	<u>\$ 332,504</u>	<u>\$ 6,425</u>	<u>\$ -</u>	<u>\$ 1,614,557</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (193,298)</u>	<u>\$ 8,479</u>	<u>\$ 18,540</u>	<u>\$ 3,330</u>	<u>\$ 53,036</u>	<u>\$ -</u>	<u>\$ (109,913)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 192,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192,698
Total other financing sources and uses	<u>\$ 192,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,698</u>
Net change in fund balances	(600)	8,479	18,540	3,330	53,036	-	82,785
Fund balances -- beginning	3,492	136,654	281,325	12,919	(123,116)	35,313	346,587
Fund balances -- ending	<u>\$ 2,892</u>	<u>\$ 145,133</u>	<u>\$ 299,865</u>	<u>\$ 16,249</u>	<u>\$ (70,080)</u>	<u>\$ 35,313</u>	<u>\$ 429,372</u>

**City of Walla Walla
Combining Balance Sheet
Non-Major Capital Project Funds
December 31, 2017**

	<u>General CIP</u>	<u>Library CIP</u>	<u>Parks CIP</u>	<u>Street CIP</u>	<u>TBD Street CIP</u>	<u>Total Non-Major Capital Project</u>
ASSETS						
Cash and equivalents	\$ 161,472	\$ 33,578	\$ 365,475	\$ 474,802	\$ 1,265,537	\$ 2,300,864
Restricted cash and equivalents	-	-	-	249,886	-	249,886
Other receivables (net)	-	-	-	501,538	-	501,538
Pool pledged receivable	-	-	102,500	-	-	102,500
Total assets	<u>\$ 161,472</u>	<u>\$ 33,578</u>	<u>\$ 467,975</u>	<u>\$ 1,226,226</u>	<u>\$ 1,265,537</u>	<u>\$ 3,154,788</u>
LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 77,553	\$ 32,735	\$ 110,288
Other accrued liabilities	-	-	330,264	44,806	-	375,070
Interfund loans payable	-	-	1,050,000	-	-	1,050,000
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,380,264</u>	<u>\$ 122,359</u>	<u>\$ 32,735</u>	<u>\$ 1,535,358</u>
Deferred inflows of resources:						
Pledged revenue for pool	\$ -	\$ -	\$ 102,500	\$ -	\$ -	\$ 102,500
Grants received in advance	-	-	-	249,886	-	249,886
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,500</u>	<u>\$ 249,886</u>	<u>\$ -</u>	<u>\$ 352,386</u>
Fund balances:						
Restricted	\$ -	\$ 33,578	\$ -	\$ 249,886	\$ 1,232,802	\$ 1,516,266
Committed	161,472	-	-	588,166	-	749,638
Assigned	-	-	-	15,929	-	15,929
Unassigned	-	-	(1,014,789)	-	-	(1,014,789)
Total fund balances	<u>\$ 161,472</u>	<u>\$ 33,578</u>	<u>\$ (1,014,789)</u>	<u>\$ 853,981</u>	<u>\$ 1,232,802</u>	<u>\$ 1,267,044</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 161,472</u>	<u>\$ 33,578</u>	<u>\$ 467,975</u>	<u>\$ 1,226,226</u>	<u>\$ 1,265,537</u>	<u>\$ 3,154,788</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Project Funds
For the Year Ended December 31, 2017

	<u>General CIP</u>	<u>Library CIP</u>	<u>Parks CIP</u>	<u>Street CIP</u>	<u>TBD Street CIP</u>	<u>Total Non-Major Capital Project</u>
REVENUES						
Sales tax	\$ -	\$ -	\$ -	\$ -	\$ 426,746	\$ 426,746
Intergovernmental revenues	-	-	-	1,929,211	52,632	1,981,843
Miscellaneous revenues	1,023	303	649,342	-	5,288	655,956
Total revenues	<u>\$ 1,023</u>	<u>\$ 303</u>	<u>\$ 649,342</u>	<u>\$ 1,929,211</u>	<u>\$ 484,666</u>	<u>\$ 3,064,545</u>
EXPENDITURES						
Current:						
General government	\$ 6,828	\$ -	\$ -	\$ -	\$ -	\$ 6,828
Transportation	-	-	-	85,927	76,728	162,655
Culture and recreation	-	-	121,806	-	-	121,806
Debt service:						
Interest	-	-	1,250	-	221	1,471
Capital outlay:						
General government	240,524	-	-	-	-	240,524
Transportation	-	-	-	3,434,146	471,500	3,905,646
Culture and recreation	-	8,175	1,566,272	-	-	1,574,447
Total expenditures	<u>\$ 247,352</u>	<u>\$ 8,175</u>	<u>\$ 1,689,328</u>	<u>\$ 3,520,073</u>	<u>\$ 548,449</u>	<u>\$ 6,013,377</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (246,329)</u>	<u>\$ (7,872)</u>	<u>\$ (1,039,986)</u>	<u>\$ (1,590,862)</u>	<u>\$ (63,783)</u>	<u>\$ (2,948,832)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 400,000	\$ -	\$ 200,400	\$ 2,343,934	\$ 444,804	\$ 3,389,138
Transfers out	-	-	-	(83,228)	(73,301)	(156,529)
Total other financing sources and uses	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 200,400</u>	<u>\$ 2,260,706</u>	<u>\$ 371,503</u>	<u>\$ 3,232,609</u>
SPECIAL ITEM						
Transfer of TBD operations to city	\$ -	\$ -	\$ -	\$ -	\$ 1,137,488	\$ 1,137,488
Net change in fund balances	153,671	(7,872)	(839,586)	669,844	1,445,208	1,421,265
Fund balances -- beginning	7,801	41,450	(175,203)	184,137	(212,406)	(154,221)
Fund balances -- ending	<u>\$ 161,472</u>	<u>\$ 33,578</u>	<u>\$ (1,014,789)</u>	<u>\$ 853,981</u>	<u>\$ 1,232,802</u>	<u>\$ 1,267,044</u>

**City of Walla Walla
Combining Balance Sheet
Non-Major Permanent Funds
December 31, 2017**

	<u>Esther Eyruad</u>	<u>Sherwood Library</u>	<u>Total Non-Major Permanent</u>
ASSETS			
Cash and equivalents	\$ 10,261	\$ 1,033	\$ 11,294
Restricted cash and equivalents	3,000	13,545	16,545
Total assets	<u>\$ 13,261</u>	<u>\$ 14,578</u>	<u>\$ 27,839</u>
LIABILITIES and FUND BALANCES			
Liabilities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Nonspendable	\$ 3,000	\$ 13,545	\$ 16,545
Assigned	10,261	1,033	11,294
Total fund balances	<u>\$ 13,261</u>	<u>\$ 14,578</u>	<u>\$ 27,839</u>
Total liabilities and fund balances	<u>\$ 13,261</u>	<u>\$ 14,578</u>	<u>\$ 27,839</u>

City of Walla Walla
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Permanent Funds
For the Year Ended December 31, 2017

	<u>Esther Eyrud</u>	<u>Sherwood Library</u>	<u>Total Non-Major Permanent</u>
REVENUES			
Miscellaneous revenues	\$ 95	\$ 105	\$ 200
Total revenues	<u>\$ 95</u>	<u>\$ 105</u>	<u>\$ 200</u>
EXPENDITURES			
Current:			
Total expenditures	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures	<u>\$ 95</u>	<u>\$ 105</u>	<u>\$ 200</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources and uses	\$ -	\$ -	\$ -
Net change in fund balances	95	105	200
Fund balances -- beginning	<u>13,166</u>	<u>14,473</u>	<u>27,639</u>
Fund balances -- ending	<u><u>\$ 13,261</u></u>	<u><u>\$ 14,578</u></u>	<u><u>\$ 27,839</u></u>

**City of Walla Walla
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017**

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Licenses and permits	\$ 648,400	\$ 646,400	\$ 300,800	\$ (345,600)
Intergovernmental revenues	1,476,480	1,583,710	845,800	(737,910)
Charges for goods and services	442,600	465,060	239,000	(226,060)
Miscellaneous revenues	-	3,780	4,640	860
Total revenues	<u>2,567,480</u>	<u>2,698,950</u>	<u>1,390,240</u>	<u>(1,308,710)</u>
EXPENDITURES				
Current:				
Transportation	6,023,750	6,362,430	3,466,830	(2,895,600)
Debt service:				
Interest	8,840	8,840	4,190	(4,650)
Capital outlay:				
Transportation	-	6,700	6,640	(60)
Total expenditures	<u>6,032,590</u>	<u>6,377,970</u>	<u>3,477,660</u>	<u>(2,900,310)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,465,110)</u>	<u>(3,679,020)</u>	<u>(2,087,420)</u>	<u>1,591,600</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,159,450	3,197,570	1,693,110	(1,504,460)
Transfers out	-	(74,370)	(74,370)	-
Total other financing sources, uses and special items	<u>3,159,450</u>	<u>3,123,200</u>	<u>1,618,740</u>	<u>(1,504,460)</u>
Net change in fund balances	<u>(305,660)</u>	<u>(555,820)</u>	<u>(468,680)</u>	<u>87,140</u>
Fund balances -- beginning	<u>1,115,700</u>	<u>1,115,700</u>	<u>1,115,700</u>	<u>-</u>
Fund balances -- ending	<u>\$ 810,040</u>	<u>\$ 559,880</u>	<u>\$ 647,020</u>	<u>\$ 87,140</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Capital Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Other tax	\$ 700,000	\$ 760,000	\$ 452,590	\$ (307,410)
Miscellaneous revenues	520	2,720	2,440	(280)
Total revenues	<u>700,520</u>	<u>762,720</u>	<u>455,030</u>	<u>(307,690)</u>
EXPENDITURES				
Debt service:				
Principal retirement	200,000	300,400	-	(300,400)
Interest	700	700	-	(700)
Total expenditures	<u>200,700</u>	<u>301,100</u>	<u>-</u>	<u>(301,100)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>499,820</u>	<u>461,620</u>	<u>455,030</u>	<u>(6,590)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(268,750)</u>	<u>(433,750)</u>	<u>(465,400)</u>	<u>(31,650)</u>
Total other financing sources, uses and special items	<u>(268,750)</u>	<u>(433,750)</u>	<u>(465,400)</u>	<u>(31,650)</u>
Net change in fund balances	231,070	27,870	(10,370)	(38,240)
Fund balances -- beginning	<u>311,780</u>	<u>311,780</u>	<u>311,780</u>	<u>-</u>
Fund balances -- ending	<u><u>\$ 542,850</u></u>	<u><u>\$ 339,650</u></u>	<u><u>\$ 301,410</u></u>	<u><u>\$ (38,240)</u></u>

Figures are rounded to the nearest ten dollars.

**City of Walla Walla
Housing Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017**

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Miscellaneous revenues	\$ 560	\$ 1,560	\$ 22,780	\$ 21,220
Total revenues	<u>560</u>	<u>1,560</u>	<u>22,780</u>	<u>21,220</u>
EXPENDITURES				
Current:				
Economic environment	-	85,410	59,080	(26,330)
Total expenditures	<u>-</u>	<u>85,410</u>	<u>59,080</u>	<u>(26,330)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>560</u>	<u>(83,850)</u>	<u>(36,300)</u>	<u>47,550</u>
Net change in fund balances	560	(83,850)	(36,300)	47,550
Fund balances -- beginning	<u>182,340</u>	<u>182,340</u>	<u>182,340</u>	<u>-</u>
Fund balances -- ending	<u><u>\$ 182,900</u></u>	<u><u>\$ 98,490</u></u>	<u><u>\$ 146,040</u></u>	<u><u>\$ 47,550</u></u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Sales tax	\$ 1,800,000	\$ 1,838,000	\$ 935,300	\$ (902,700)
Miscellaneous revenues	300	1,300	1,030	(270)
Total revenues	<u>1,800,300</u>	<u>1,839,300</u>	<u>936,330</u>	<u>(902,970)</u>
EXPENDITURES				
Current:				
Economic environment	-	916,110	916,100	(10)
Culture and recreation	1,667,400	833,700	-	(833,700)
Total expenditures	<u>1,667,400</u>	<u>1,749,810</u>	<u>916,100</u>	<u>(833,710)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>132,900</u>	<u>89,490</u>	<u>20,230</u>	<u>(69,260)</u>
Net change in fund balances	132,900	89,490	20,230	(69,260)
Fund balances -- beginning	<u>106,350</u>	<u>106,350</u>	<u>106,350</u>	<u>-</u>
Fund balances -- ending	<u><u>\$ 239,250</u></u>	<u><u>\$ 195,840</u></u>	<u><u>\$ 126,580</u></u>	<u><u>\$ (69,260)</u></u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Tourism Promotion Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Other tax	\$ 650,000	\$ 662,000	\$ 336,320	\$ (325,680)
Miscellaneous revenues	120	120	700	580
Total revenues	<u>650,120</u>	<u>662,120</u>	<u>337,020</u>	<u>(325,100)</u>
EXPENDITURES				
Current:				
Economic environment	556,660	568,660	352,260	(216,400)
Total expenditures	<u>556,660</u>	<u>568,660</u>	<u>352,260</u>	<u>(216,400)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,460</u>	<u>93,460</u>	<u>(15,240)</u>	<u>(108,700)</u>
Net change in fund balances	93,460	93,460	(15,240)	(108,700)
Fund balances -- beginning	<u>15,940</u>	<u>15,940</u>	<u>15,940</u>	<u>-</u>
Fund balances -- ending	<u><u>\$ 109,400</u></u>	<u><u>\$ 109,400</u></u>	<u><u>\$ 700</u></u>	<u><u>\$ (108,700)</u></u>

Figures are rounded to the nearest ten dollars.

**City of Walla Walla
Drug Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017**

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Fines and forfeits	\$ 2,000	\$ 18,310	\$ 17,310	\$ (1,000)
Miscellaneous revenues	60,900	54,900	22,790	(32,110)
Total revenues	<u>62,900</u>	<u>73,210</u>	<u>40,100</u>	<u>(33,110)</u>
EXPENDITURES				
Current:				
Public safety	82,300	82,300	27,610	(54,690)
Capital outlay:				
Public safety	20,000	20,000	10,000	(10,000)
Total expenditures	<u>102,300</u>	<u>102,300</u>	<u>37,610</u>	<u>(64,690)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,400)</u>	<u>(29,090)</u>	<u>2,490</u>	<u>31,580</u>
Net change in fund balances	(39,400)	(29,090)	2,490	31,580
Fund balances -- beginning	<u>300,110</u>	<u>300,110</u>	<u>300,110</u>	<u>-</u>
Fund balances -- ending	<u><u>\$ 260,710</u></u>	<u><u>\$ 271,020</u></u>	<u><u>\$ 302,600</u></u>	<u><u>\$ 31,580</u></u>

Figures are rounded to the nearest ten dollars.

**City of Walla Walla
Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017**

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current:				
Economic environment	-	7,560	7,560	-
Total expenditures	-	7,560	7,560	-
Excess (deficiency) of revenues over (under) expenditures	-	(7,560)	(7,560)	-
Net change in fund balances	-	(7,560)	(7,560)	-
Fund balances -- beginning	7,560	7,560	7,560	-
Fund balances -- ending	<u>\$ 7,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Code Enforcement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Miscellaneous revenues	\$ 600	\$ 1,770	\$ 3,260	\$ 1,490
Total revenues	600	1,770	3,260	1,490
EXPENDITURES				
Current:				
Public safety	-	52,000	8,020	(43,980)
Capital outlay:				
Public safety	-	75,750	-	(75,750)
Total expenditures	-	127,750	8,020	(119,730)
Excess (deficiency) of revenues over (under) expenditures	600	(125,980)	(4,760)	(121,220)
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of capital assets	-	110,360	-	(110,360)
Total other financing sources, uses and special items	-	110,360	-	(110,360)
Net change in fund balances	600	(15,620)	(4,760)	10,860
Fund balances -- beginning	254,580	254,580	254,580	-
Fund balances -- ending	\$ 255,180	\$ 238,960	\$ 249,820	\$ 10,860

Figures are rounded to the nearest ten dollars.

**City of Walla Walla
Cemetery Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017**

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Charges for goods and services	\$ -	\$ -	\$ (400)	\$ (400)
Miscellaneous revenues	2,600	2,600	5,000	2,400
Total revenues	<u>2,600</u>	<u>2,600</u>	<u>4,600</u>	<u>2,000</u>
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>2,600</u>	<u>2,600</u>	<u>4,600</u>	<u>2,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(120,000)	(120,000)	(60,000)	60,000
Total other financing sources, uses and special items	<u>(120,000)</u>	<u>(120,000)</u>	<u>(60,000)</u>	<u>60,000</u>
Net change in fund balances	(117,400)	(117,400)	(55,400)	62,000
Fund balances -- beginning	<u>764,840</u>	<u>764,840</u>	<u>764,840</u>	<u>-</u>
Fund balances -- ending	<u><u>\$ 647,440</u></u>	<u><u>\$ 647,440</u></u>	<u><u>\$ 709,440</u></u>	<u><u>\$ 62,000</u></u>

Figures are rounded to the nearest ten dollars.

City of Walla Walla
Transportation Benefit District
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	2017-18 Biennial Budgeted Amounts		2017-18 Actuals	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Sales tax	\$ 2,355,000	\$ 2,405,000	\$ 809,770	\$ (1,595,230)
Miscellaneous revenues	2,000	15,680	6,250	(9,430)
Total revenues	<u>2,357,000</u>	<u>2,420,680</u>	<u>816,020</u>	<u>(1,604,660)</u>
EXPENDITURES				
Current:				
Transportation	6,750	6,750	2,590	(4,160)
Total expenditures	<u>6,750</u>	<u>6,750</u>	<u>2,590</u>	<u>(4,160)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,350,250</u>	<u>2,413,930</u>	<u>813,430</u>	<u>(1,600,500)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,629,250)</u>	<u>(2,692,930)</u>	<u>(392,300)</u>	<u>2,300,630</u>
Total other financing sources, uses and special items	<u>(2,629,250)</u>	<u>(2,692,930)</u>	<u>(392,300)</u>	<u>2,300,630</u>
SPECIAL ITEM				
Transfer of TBD operations to city	<u>-</u>	<u>-</u>	<u>(1,137,490)</u>	<u>(1,137,490)</u>
Net change in fund balances	(279,000)	(279,000)	(716,360)	(437,360)
Fund balances -- beginning	<u>716,360</u>	<u>716,360</u>	<u>716,360</u>	<u>-</u>
Fund balances -- ending	<u>\$ 437,360</u>	<u>\$ 437,360</u>	<u>\$ -</u>	<u>\$ (437,360)</u>

Figures are rounded to the nearest ten dollars.

“Don't be afraid to take the tough jobs. You'll develop confidence in dealing with tough issues that will serve you for the rest of your career.”

-Geisha Williams
CEO, PG&E Corp.

NON-MAJOR ENTERPRISE FUNDS

Non-major proprietary funds focus on cost recovery and fall into the two categories described below.

<u>CONTENTS</u>	<u>PAGE</u>
Enterprise Funds <i>Enterprise funds account for the financing of goods or services for which a fee is charged to external users for use of those goods and services.</i>	120
Internal Service Funds <i>Internal service funds report an activity which provides goods or services to other funds, departments, or agencies of the City and its component units, or to other governments, on a cost-reimbursement basis.</i>	123

City of Walla Walla
Combining Statement of Net Position
Non-Major Enterprise Funds
December 31, 2017

	<u>Golf Course</u>	<u>Stormwater</u>	<u>Ambulance</u>	<u>Total Other Enterprise</u>
ASSETS				
Current assets:				
Cash and equivalents	\$ 17,146	\$ 966,453	\$ 61,274	\$ 1,044,873
Investments	-	99,523	-	99,523
Other receivables (net)	3,525	287,473	253,708	544,706
Total current assets	<u>20,671</u>	<u>1,353,449</u>	<u>314,982</u>	<u>1,689,102</u>
Noncurrent assets:				
Net pension asset	-	-	976,905	976,905
Capital assets not being depreciated:				
Land	38,508	16,907	-	55,415
Construction in progress	-	71,530	-	71,530
Capital assets being depreciated:				
Buildings and structures	371,006	-	-	371,006
Improvements other than buildings	1,144,427	213,890	-	1,358,317
Machinery and equipment	51,036	4,616	170,603	226,255
Infrastructure	448,749	5,724,615	-	6,173,364
Less accumulated depreciation	(606,182)	(390,129)	(165,420)	(1,161,731)
Total capital assets (net)	<u>1,447,544</u>	<u>5,641,429</u>	<u>5,183</u>	<u>7,094,156</u>
Total noncurrent assets	<u>1,447,544</u>	<u>5,641,429</u>	<u>982,088</u>	<u>8,071,061</u>
Total assets	<u>\$ 1,468,215</u>	<u>\$ 6,994,878</u>	<u>\$ 1,297,070</u>	<u>\$ 9,760,163</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	\$ -	\$ 33,314	\$ 90,498	\$ 123,812
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 33,314</u>	<u>\$ 90,498</u>	<u>\$ 123,812</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,352	\$ 19,455	\$ 10,728	\$ 33,535
Other accrued liabilities	607	26,199	151,534	178,340
Compensated absences	-	25,763	160,998	186,761
Current portion long-term debt	24,819	-	-	24,819
Interfund loans payable	41,802	-	58,227	100,029
Total current liabilities	<u>70,580</u>	<u>71,417</u>	<u>381,487</u>	<u>523,484</u>
Long-term liabilities:				
Net pension liability	-	202,740	57,940	260,680
Long-term debt	134,179	-	-	134,179
Interfund loans payable	301,766	-	241,773	543,539
Total noncurrent liabilities	<u>435,945</u>	<u>202,740</u>	<u>299,713</u>	<u>938,398</u>
Total liabilities	<u>\$ 506,525</u>	<u>\$ 274,157</u>	<u>\$ 681,200</u>	<u>\$ 1,461,882</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ -	\$ 33,040	\$ 261,592	\$ 294,632
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 33,040</u>	<u>\$ 261,592</u>	<u>\$ 294,632</u>
NET POSITION				
Net investment in capital assets	\$ 1,288,546	\$ 5,641,429	\$ 5,183	\$ 6,935,158
Unrestricted	(326,856)	1,079,566	439,593	1,192,303
Total net position	<u>\$ 961,690</u>	<u>\$ 6,720,995</u>	<u>\$ 444,776</u>	<u>\$ 8,127,461</u>

City of Walla Walla
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Non-Major Enterprise Funds
For the Year Ended December 31, 2017

	<u>Golf Course</u>	<u>Stormwater</u>	<u>Ambulance</u>	<u>Total Other Enterprise</u>
Operating revenues:				
Intergovernmental revenues	\$ -	\$ 61,871	\$ 1,477,616	\$ 1,539,487
Charges for goods and services	23,412	2,451,304	1,531,458	4,006,174
Miscellaneous revenues	50,536	-	-	50,536
Total operating revenues	<u>\$ 73,948</u>	<u>\$ 2,513,175</u>	<u>\$ 3,009,074</u>	<u>\$ 5,596,197</u>
Operating expenses:				
Depreciation	\$ 58,357	\$ 102,301	\$ 5,269	\$ 165,927
Salaries and wages	-	297,461	1,653,910	1,951,371
Personnel benefits	-	123,080	514,668	637,748
Supplies	3,097	34,024	161,873	198,994
Services and charges	20,021	311,579	155,264	486,864
Intergovernmental services	2,255	365,228	20,392	387,875
Interfund service payments	67,020	888,316	544,310	1,499,646
Total operating expenses	<u>\$ 150,750</u>	<u>\$ 2,121,989</u>	<u>\$ 3,055,686</u>	<u>\$ 5,328,425</u>
Operating income (loss)	<u>\$ (76,802)</u>	<u>\$ 391,186</u>	<u>\$ (46,612)</u>	<u>\$ 267,772</u>
Nonoperating revenues (expenses):				
Intergovernmental revenues	\$ -	\$ 44,158	\$ 6,758	\$ 50,916
Miscellaneous revenues	-	678	1,816	2,494
Insurance recoveries	435,221	-	-	435,221
Debt service - interest	(20,417)	-	(500)	(20,917)
Total non-operating revenue (expenses)	<u>\$ 414,804</u>	<u>\$ 44,836</u>	<u>\$ 8,074</u>	<u>\$ 467,714</u>
Income (loss) before contributions and transfers	<u>\$ 338,002</u>	<u>\$ 436,022</u>	<u>\$ (38,538)</u>	<u>\$ 735,486</u>
Capital contributions	-	710,342	-	710,342
Transfers in	75,000	71,112	-	146,112
Change in net position	<u>413,002</u>	<u>1,217,476</u>	<u>(38,538)</u>	<u>1,591,940</u>
Adjusted net position -- beginning	<u>548,688</u>	<u>5,503,519</u>	<u>483,314</u>	<u>6,535,521</u>
Total net position -- ending	<u>\$ 961,690</u>	<u>\$ 6,720,995</u>	<u>\$ 444,776</u>	<u>\$ 8,127,461</u>

City of Walla Walla
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended December 31, 2017

	Golf Course	Stormwater	Ambulance	Total Other Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash from customers	\$ 19,887	\$ 2,432,148	\$ 3,060,264	\$ 5,512,299
Cash from grants	-	(40,753)	-	(40,753)
Cash from other sources	435,221	-	-	435,221
Payments to suppliers	(23,970)	(736,199)	(332,412)	(1,092,581)
Payments to employees	-	(426,890)	(2,406,791)	(2,833,681)
Interfund service payments	(67,020)	(888,316)	(544,310)	(1,499,646)
Miscellaneous revenues	50,536	-	5,500	56,036
Net cash provided by operating activities	<u>\$ 414,654</u>	<u>\$ 339,990</u>	<u>\$ (217,749)</u>	<u>\$ 536,895</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants received	-	\$ 44,158	\$ 1,270	45,428
Proceeds (repayments) from interfund loan	-	-	250,000	250,000
Transfers in	75,000	71,112	-	146,112
Total cash flows from noncapital financing	<u>\$ 75,000</u>	<u>\$ 115,270</u>	<u>\$ 251,270</u>	<u>\$ 441,540</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	\$ (415,777)	\$ (684,605)	-	\$ (1,100,382)
Capital contributions and purchases	-	336,748	-	336,748
Principal and interest payments	(24,076)	-	-	(24,076)
Proceeds (repayments) from interfund loan	(60,418)	-	-	(60,418)
Total cash flows from capital and related financing	<u>\$ (500,271)</u>	<u>\$ (347,857)</u>	<u>\$ -</u>	<u>\$ (848,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	\$ (99,523)	-	\$ (99,523)
Interest received	-	678	1,304	1,982
Total cash flows from investing activities	<u>\$ -</u>	<u>\$ (98,845)</u>	<u>\$ 1,304</u>	<u>\$ (97,541)</u>
Net increase (decrease) in cash and equivalents	<u>\$ (10,617)</u>	<u>\$ 8,558</u>	<u>\$ 34,825</u>	<u>\$ 32,766</u>
Beginning cash and cash equivalents	\$ 27,763	\$ 957,895	\$ 26,449	\$ 1,012,107
Ending cash and cash equivalents	<u>\$ 17,146</u>	<u>\$ 966,453</u>	<u>\$ 61,274</u>	<u>\$ 1,044,873</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (76,802)	\$ 391,186	\$ (46,612)	\$ 267,772
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	58,357	102,301	5,269	165,927
(Increase) decrease in accounts receivable	431,696	(121,780)	51,190	361,106
Increase (decrease) in accounts payable	1,403	(25,368)	5,117	(18,848)
Increase (decrease) in miscellaneous revenue	-	-	5,500	5,500
Increase (decrease) in salaries and benefits	-	6,825	(119,478)	(112,653)
Increase (decrease) in pension liability	-	(13,174)	(118,735)	(131,909)
Net cash provided by operating activities	<u>\$ 414,654</u>	<u>\$ 339,990</u>	<u>\$ (217,749)</u>	<u>\$ 536,895</u>
Noncash investing, capital, and financing activities				
Contribution of capital assets from developers	<u>\$ -</u>	<u>\$ 373,594</u>	<u>\$ -</u>	<u>\$ 373,594</u>

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

City of Walla Walla
Combining Statement of Net Position - Internal Service Funds
December 31, 2017

	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	Total Internal Service
ASSETS							
Current assets:							
Cash and equivalents	\$ 255,033	\$ 1,793,690	\$ 375,457	\$ 283,576	\$ 598,281	\$ 184,839	\$ 3,490,876
Investments	-	3,483,521	497,616	248,808	-	-	4,229,945
Other receivables (net)	634	119,659	54,890	608	-	-	175,791
Interest receivable	-	-	616	-	-	-	616
Interfund loans receivable	-	699,496	-	-	-	-	699,496
Inventories	71,522	-	-	-	-	-	71,522
Prepays	-	522,336	302	-	165,828	35,000	723,466
Total current assets	<u>327,189</u>	<u>6,618,702</u>	<u>928,881</u>	<u>532,992</u>	<u>764,109</u>	<u>219,839</u>	<u>9,391,712</u>
Noncurrent assets:							
Interfund loans receivable	-	1,986,302	-	-	-	-	1,986,302
Capital assets not being depreciated:							
Land	-	-	-	135,600	-	-	135,600
Construction in progress	-	-	-	35,892	-	-	35,892
Capital assets being depreciated:							
Buildings and structures	-	-	-	4,153,923	-	-	4,153,923
Improvements other than buildings	-	-	-	16,212	-	-	16,212
Machinery and equipment	146,424	18,973,716	147,237	55,966	-	-	19,323,343
Infrastructure	-	-	-	96,187	-	-	96,187
Less accumulated depreciation	<u>(45,432)</u>	<u>(11,590,238)</u>	<u>(86,008)</u>	<u>(1,757,653)</u>	<u>-</u>	<u>-</u>	<u>(13,479,331)</u>
Total capital assets (net)	<u>100,992</u>	<u>7,383,478</u>	<u>61,229</u>	<u>2,736,127</u>	<u>-</u>	<u>-</u>	<u>10,281,826</u>
Total noncurrent assets	<u>100,992</u>	<u>9,369,780</u>	<u>61,229</u>	<u>2,736,127</u>	<u>-</u>	<u>-</u>	<u>12,268,128</u>
Total assets	<u>\$ 428,181</u>	<u>\$ 15,988,482</u>	<u>\$ 990,110</u>	<u>\$ 3,269,119</u>	<u>\$ 764,109</u>	<u>\$ 219,839</u>	<u>\$ 21,659,840</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pensions	\$ 26,974	\$ 5,896	\$ 117,589	\$ 6,648	\$ -	\$ -	\$ 157,107
Total deferred outflows of resources	<u>\$ 26,974</u>	<u>\$ 5,896</u>	<u>\$ 117,589</u>	<u>\$ 6,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,107</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 4,963	\$ 10,644	\$ 12,130	\$ 10,011	\$ 21	\$ 47,933	\$ 85,702
Other accrued liabilities	20,894	23,715	92,862	5,790	-	-	143,261
Industrial insurance claims	-	-	-	-	-	18,593	18,593
Compensated absences	26,103	2,334	97,623	1,191	-	-	127,251
Total current liabilities	<u>51,960</u>	<u>36,693</u>	<u>202,615</u>	<u>16,992</u>	<u>21</u>	<u>66,526</u>	<u>374,807</u>
Long-term liabilities:							
Industrial insurance claims	-	-	-	-	-	123,952	123,952
Compensated absences	-	203	-	-	-	-	203
Net pension liability	164,155	35,881	715,609	40,459	-	-	956,104
Total noncurrent liabilities	<u>164,155</u>	<u>36,084</u>	<u>715,609</u>	<u>40,459</u>	<u>-</u>	<u>123,952</u>	<u>1,080,259</u>
Total liabilities	<u>\$ 216,115</u>	<u>\$ 72,777</u>	<u>\$ 918,224</u>	<u>\$ 57,451</u>	<u>\$ 21</u>	<u>\$ 190,478</u>	<u>\$ 1,455,066</u>
DEFERRED INFLOWS OF RESOURCES							
Pensions	\$ 26,752	\$ 5,847	\$ 116,621	\$ 6,594	\$ -	\$ -	\$ 155,814
Total deferred inflows of resources	<u>\$ 26,752</u>	<u>\$ 5,847</u>	<u>\$ 116,621</u>	<u>\$ 6,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,814</u>
NET POSITION							
Net investment in capital assets	\$ 100,992	\$ 7,383,478	\$ 61,229	\$ 2,736,127	\$ -	\$ -	\$ 10,281,826
Unrestricted	111,296	8,532,276	11,625	475,595	764,088	29,361	9,924,241
Total net position	<u>\$ 212,288</u>	<u>\$ 15,915,754</u>	<u>\$ 72,854</u>	<u>\$ 3,211,722</u>	<u>\$ 764,088</u>	<u>\$ 29,361</u>	<u>\$ 20,206,067</u>

City of Walla Walla
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2017

	<u>Business-type Activities</u>		<u>Government-type Activities</u>				<u>Total Internal Service</u>
	<u>Vehicle Maintenance</u>	<u>Vehicle Replacement</u>	<u>Emergency Communication</u>	<u>Service Center</u>	<u>Health Insurance</u>	<u>Industrial Insurance</u>	
Operating revenues:							
Intergovernmental revenues	\$ -	\$ -	\$ 2,303,885	\$ -	\$ -	\$ -	\$ 2,303,885
Charges for goods and services	4,764	-	-	-	-	-	4,764
Interfund charges	1,405,431	2,446,210	-	323,429	5,540,391	310,349	10,025,810
Total operating revenues	<u>\$ 1,410,195</u>	<u>\$ 2,446,210</u>	<u>\$ 2,303,885</u>	<u>\$ 323,429</u>	<u>\$ 5,540,391</u>	<u>\$ 310,349</u>	<u>\$ 12,334,459</u>
Operating expenses:							
Depreciation	\$ 7,651	\$ 1,214,896	\$ 15,709	\$ 82,258	\$ -	\$ -	\$ 1,320,514
Salaries and wages	240,270	49,582	1,025,323	56,147	-	-	1,371,322
Personnel benefits	85,823	10,143	422,894	28,100	5,457,362	-	6,004,322
Supplies	792,279	15,840	153,109	16,773	-	-	978,001
Services and charges	136,614	25,590	557,551	168,420	7,018	289,871	1,185,064
Intergovernmental services	-	17,653	-	-	-	-	17,653
Interfund service payments	148,347	268,320	205,987	43,043	-	-	665,697
Total operating expenses	<u>\$ 1,410,984</u>	<u>\$ 1,602,024</u>	<u>\$ 2,380,573</u>	<u>\$ 394,741</u>	<u>\$ 5,464,380</u>	<u>\$ 289,871</u>	<u>\$ 11,542,573</u>
Operating income (loss)	<u>\$ (789)</u>	<u>\$ 844,186</u>	<u>\$ (76,688)</u>	<u>\$ (71,312)</u>	<u>\$ 76,011</u>	<u>\$ 20,478</u>	<u>\$ 791,886</u>
Nonoperating revenues (expenses):							
Miscellaneous revenues	\$ -	\$ 29,316	\$ 14,666	\$ (952)	\$ 125	\$ -	\$ 43,155
Gain (loss) on sale of capital assets	-	34,599	-	-	-	-	34,599
Insurance recoveries	-	236,280	-	-	-	-	236,280
Total non-operating revenue (expenses)	<u>\$ -</u>	<u>\$ 300,195</u>	<u>\$ 14,666</u>	<u>\$ (952)</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ 314,034</u>
Income (loss) before contributions and transfers	<u>\$ (789)</u>	<u>\$ 1,144,381</u>	<u>\$ (62,022)</u>	<u>\$ (72,264)</u>	<u>\$ 76,136</u>	<u>\$ 20,478</u>	<u>\$ 1,105,920</u>
Transfers in	-	12,550	95,346	25,000	-	8,289	141,185
Transfers out	-	(137,015)	-	-	-	-	(137,015)
Change in net position	<u>(789)</u>	<u>1,019,916</u>	<u>33,324</u>	<u>(47,264)</u>	<u>76,136</u>	<u>28,767</u>	<u>1,110,090</u>
Total net position -- beginning	<u>213,077</u>	<u>14,895,838</u>	<u>39,530</u>	<u>3,258,986</u>	<u>687,952</u>	<u>594</u>	<u>19,095,977</u>
Total net position -- ending	<u>\$ 212,288</u>	<u>\$ 15,915,754</u>	<u>\$ 72,854</u>	<u>\$ 3,211,722</u>	<u>\$ 764,088</u>	<u>\$ 29,361</u>	<u>\$ 20,206,067</u>

City of Walla Walla
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2017

	Business-type Activities		Government-type Activities				Total Internal Service
	Vehicle Maintenance	Vehicle Replacement	Emergency Communication	Service Center	Health Insurance	Industrial Insurance	
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash from customers	\$ 4,130	\$ (641,996)	\$ 2,396,434	\$ (608)	\$ -	\$ -	\$ 1,757,960
Cash from interfund services	1,405,431	2,446,210	-	323,429	5,540,391	310,349	10,025,810
Cash from other sources	-	236,280	-	-	-	-	236,280
Payments to suppliers	(882,879)	(644,075)	(730,893)	(191,640)	(172,362)	(284,215)	(2,906,064)
Payments to employees	(359,036)	(67,033)	(1,530,480)	(84,208)	(5,457,362)	(46,525)	(7,544,644)
Interfund service payments	(148,347)	(268,320)	(205,987)	(43,043)	-	-	(665,697)
Miscellaneous revenues	-	-	7,900	-	125	-	8,025
Net cash provided by operating activities	\$ 19,299	\$ 1,061,066	\$ (63,026)	\$ 3,930	\$ (89,208)	\$ (20,391)	\$ 911,670
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Proceeds (repayments) from interfund loan	\$ -	\$ 501,383	\$ -	\$ -	\$ -	\$ -	\$ 501,383
Transfers in	-	12,550	95,346	25,000	-	8,289	141,185
Transfers out	-	(137,015)	-	-	-	-	(137,015)
Total cash flows from noncapital financing	\$ -	\$ 376,918	\$ 95,346	\$ 25,000	\$ -	\$ 8,289	\$ 505,553
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of capital assets	\$ -	\$ (1,701,622)	\$ 96,062	\$ (24,186)	\$ -	\$ -	\$ (1,629,746)
Proceeds from sale of capital assets	-	34,599	-	-	-	-	34,599
Total cash flows from capital and financing activities	\$ -	\$ (1,667,023)	\$ 96,062	\$ (24,186)	\$ -	\$ -	\$ (1,595,147)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	\$ -	\$ (482,244)	\$ 2,194	\$ 51,078	\$ -	\$ -	\$ (428,972)
Interest on investments	-	-	(99)	-	-	-	(99)
Interest received	-	-	6,766	(952)	-	-	5,814
Total cash flows from investing activities	\$ -	\$ (482,244)	\$ 8,861	\$ 50,126	\$ -	\$ -	\$ (423,257)
Net increase (decrease) in cash and equivalents	\$ 19,299	\$ (711,283)	\$ 137,243	\$ 54,870	\$ (89,208)	\$ (12,102)	\$ (601,181)
Beginning cash and cash equivalents	\$ 235,734	\$ 2,504,973	\$ 238,214	\$ 228,706	\$ 687,489	\$ 196,941	\$ 4,092,057
Ending cash and cash equivalents	\$ 255,033	\$ 1,793,690	\$ 375,457	\$ 283,576	\$ 598,281	\$ 184,839	\$ 3,490,876
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (789)	\$ 844,186	\$ (76,688)	\$ (71,312)	\$ 76,011	\$ 20,478	\$ 791,886
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	7,651	1,214,896	15,709	82,258	-	-	1,320,514
(Increase) decrease in accounts receivable	(634)	116,621	92,549	(608)	-	-	207,928
(Increase) decrease in inventories	45,714	-	-	-	-	-	45,714
(Increase) decrease in prepaid expenses	-	(522,337)	(263)	-	(165,231)	-	(687,831)
Increase (decrease) in accounts payable	300	(584,992)	(19,970)	(6,447)	(113)	5,656	(605,566)
Increase (decrease) in miscellaneous revenue	-	-	7,900	-	125	-	8,025
Increase (decrease) in salaries and benefits	(1,980)	2,313	1,229	1,073	-	(46,525)	(43,890)
Increase (decrease) in pension liability	(30,963)	(9,621)	(83,492)	(1,034)	-	-	(125,110)
Net cash provided by operating activities	\$ 19,299	\$ 1,061,066	\$ (63,026)	\$ 3,930	\$ (89,208)	\$ (20,391)	\$ 911,670

No noncash investing, capital, and financing activities
The notes to the financial statements are an integral part of this statement.

“Help others rise. Greatness come not from a position, but from helping build the future. We have an obligation to pull others up.”

-Indra Nooyi
CEO, PepsiCo

FIDUCIARY FUNDS

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

CONTENTS

Pension and Other Employee Benefit Trust Funds

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

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City of Walla Walla
Combining Statement of Plan Net Position
Pension and Other Employee Benefit Trust Funds
December 31, 2017

	Fire Medical Benefits	Fire Pension Benefits	Total Pension Other Employee Benefits
ASSETS			
Cash and equivalents	\$ 316,406	\$ 122,831	\$ 439,237
Total assets	\$ 316,406	\$ 122,831	\$ 439,237
LIABILITIES			
Accounts payable	\$ 18,019	\$ -	\$ 18,019
Other accrued liabilities	-	15,066	15,066
Total liabilities	\$ 18,019	\$ 15,066	\$ 33,085
NET POSITION			
Held in trust for pension and other purposes	\$ 298,387	\$ 107,765	\$ 406,152

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

City of Walla Walla
Combining Statement of Changes in Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended December 31, 2017

	Fire Medical Benefits	Fire Pension Benefits	Total Pension and Other Employee Benefits
ADDITIONS			
Contributions:			
Fire insurance premium tax transfer from general fund	\$ -	\$ 48,929	\$ 48,929
Employer contributions	438,460	185,290	623,750
Total contributions	438,460	234,219	672,679
DEDUCTIONS			
Personnel benefits	\$ 470,125	\$ 184,706	\$ 654,831
Services and charges	860	3,000	3,860
Total deductions	470,985	187,706	658,691
Change in net position	(32,525)	46,513	13,988
Net position -- beginning of the year	330,912	61,252	392,164
Net position -- end of the year	\$ 298,387	\$ 107,765	\$ 406,152

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

“I’m not asking you to be tolerant of each other. Tolerance is for cowards. Understand each other.”

-Randall L. Stephenson
CEO, AT&T

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.

<u>CONTENTS</u>	<u>PAGE</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	132
Revenue Capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue sources: sales tax and property tax.</i>	137
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>	147
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>	151
Operating Information <i>These schedules offer operating data to help the reader understand how the information in the government’s financial report relates to the services it provides and the activities it performs.</i>	153

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

City of Walla Walla
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014⁽¹⁾</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities:										
Net investment in capital assets	\$ 64,520,591	\$ 60,448,138	\$ 54,727,275	\$ 50,450,335	\$ 48,599,279	\$ 43,184,306	\$ 42,962,010	\$ 41,988,033	\$ 35,961,027	\$ 35,758,599
Restricted	2,913,694	2,439,934	3,543,459	929,415	1,099,874	916,071	185,616	220,680	175,751	133,607
Unrestricted	(5,227,927)	2,832,202	1,269,207	10,637,976	10,367,238	10,560,920	9,513,398	8,408,600	9,341,031	8,969,354
Total governmental activities net position	<u>\$ 62,206,358</u>	<u>\$ 65,720,274</u>	<u>\$ 59,539,941</u>	<u>\$ 62,017,726</u>	<u>\$ 60,066,391</u>	<u>\$ 54,661,297</u>	<u>\$ 52,661,024</u>	<u>\$ 50,617,313</u>	<u>\$ 45,477,809</u>	<u>\$ 44,861,560</u>
Adjustment to implement GASB 68				(6,998,245)						
Adjusted total governmental activities net position				<u>\$ 55,019,481</u>						
Business-type activities:										
Net investment in capital assets	\$ 98,684,992	\$ 97,729,792	\$ 92,329,699	\$ 77,617,386	\$ 69,213,933	\$ 60,384,997	\$ 58,492,182	\$ 58,806,203	\$ 59,190,765	\$ 55,009,343
Restricted	-	487,285	819,979	-	-	-	-	-	-	-
Unrestricted	22,662,306	16,789,531	12,416,822	22,480,265	24,575,368	27,147,834	25,650,225	16,077,891	12,631,639	15,959,286
Total business-type activities net position	<u>\$ 121,347,298</u>	<u>\$ 115,006,608</u>	<u>\$ 105,566,500</u>	<u>\$ 100,097,651</u>	<u>\$ 93,789,301</u>	<u>\$ 87,532,831</u>	<u>\$ 84,142,407</u>	<u>\$ 74,884,094</u>	<u>\$ 71,822,404</u>	<u>\$ 70,968,629</u>
⁽¹⁾ Adjustment to implement GASB 68				(1,861,019)						
⁽²⁾ 2016 Prior period adjustment		832,761								
Adjusted total business-type activities net position		<u>\$ 115,839,369</u>		<u>\$ 98,236,632</u>						
Primary government:										
Net investment in capital assets	\$ 163,205,583	\$ 158,177,930	\$ 147,056,974	\$ 128,067,721	\$ 117,813,212	\$ 103,569,303	\$ 101,454,192	\$ 100,794,236	\$ 95,151,792	\$ 90,767,942
Restricted	2,913,694	2,927,219	4,363,438	929,415	1,099,874	916,071	185,616	220,680	175,751	133,607
Unrestricted	17,434,379	19,621,733	13,686,029	33,118,241	34,942,606	37,708,754	35,163,623	24,486,491	21,972,670	24,928,640
Total primary government net position	<u>\$ 183,553,656</u>	<u>\$ 180,726,882</u>	<u>\$ 165,106,441</u>	<u>\$ 162,115,377</u>	<u>\$ 153,855,692</u>	<u>\$ 142,194,128</u>	<u>\$ 136,803,431</u>	<u>\$ 125,501,407</u>	<u>\$ 117,300,213</u>	<u>\$ 115,830,189</u>
Adjustment to implement GASB 68				(8,859,264)						
Adjusted total primary government net position				<u>\$ 153,256,113</u>						

⁽¹⁾ An adjustment of (\$8,859,264) was made to the 2014 ending balance for GASB 68 compliance.

⁽²⁾ 2016 prior period adjustment for refund of overpayment to DOR for Utility Excise Taxes.

**City of Walla Walla
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses										
Governmental activities:										
General government	\$ 3,380,224	\$ 3,308,121	\$ 3,253,287	\$ 2,249,975	\$ 2,155,690	\$ 2,210,774	\$ 1,877,637	\$ 1,272,314	\$ 1,748,331	\$ 2,086,210
Public safety	16,209,517	15,990,790	15,276,870	14,681,954	13,677,945	14,869,930	13,722,774	14,548,204	14,041,960	12,957,589
Utilities and environment	2,851,589	2,709,236	2,592,685	2,360,895	2,194,544	1,976,609	1,850,115	2,252,629	2,410,889	2,194,410
Transportation	6,685,530	6,555,679	5,247,657	5,851,751	3,644,460	3,826,048	3,735,290	2,902,711	3,294,843	3,135,176
Economic environment	2,085,639	956,150	903,984	1,124,963	1,078,669	42,813	556,503	925,031	1,006,575	977,075
Culture and recreation	4,618,624	4,775,959	4,527,730	4,079,993	4,044,217	3,328,714	3,746,226	3,529,640	4,056,478	4,036,271
Social services	155,435	4,438	-	-	-	-	-	-	-	-
Interest on long term debt	553,079	1,395,231	764,303	730,005	803,031	794,914	805,229	832,691	367,901	374,770
Total governmental activities:	<u>\$ 36,539,637</u>	<u>\$ 35,695,604</u>	<u>\$ 32,566,516</u>	<u>\$ 31,079,536</u>	<u>\$ 27,598,556</u>	<u>\$ 27,049,802</u>	<u>\$ 26,293,774</u>	<u>\$ 26,263,219</u>	<u>\$ 26,926,977</u>	<u>\$ 25,761,501</u>
Business-type activities:										
Ambulance	\$ 3,057,477	\$ 3,185,784	\$ 3,118,200	\$ 3,139,012	\$ 3,476,310	\$ 3,599,965	\$ 3,530,191	\$ 3,390,344	\$ 3,285,123	\$ 3,325,981
Golf course	154,029	139,180	132,078	147,287	512,335	110,774	120,667	122,256	134,812	99,102
Landfill	3,968,744	2,472,899	4,021,581	4,677,636	3,940,417	6,112,551	893,703	2,868,474	7,488,687	3,228,911
Sanitation	5,439,937	5,374,024	5,040,390	4,799,808	4,433,738	4,282,557	4,239,822	4,297,310	3,863,169	4,047,618
Stormwater	2,052,031	1,660,551	1,386,959	1,429,072	1,289,337	929,937	992,083	714,354	690,267	743,937
Water/Wastewater	19,979,217	17,594,045	15,151,247	14,341,718	13,684,629	14,524,725	13,240,623	13,814,946	12,202,005	12,100,919
Total business-type activities	<u>\$ 34,651,435</u>	<u>\$ 30,426,483</u>	<u>\$ 28,850,455</u>	<u>\$ 28,534,533</u>	<u>\$ 27,336,766</u>	<u>\$ 29,560,509</u>	<u>\$ 23,017,089</u>	<u>\$ 25,207,684</u>	<u>\$ 27,664,063</u>	<u>\$ 23,546,468</u>
Total primary government expenses	<u>\$ 71,191,072</u>	<u>\$ 66,122,087</u>	<u>\$ 61,416,971</u>	<u>\$ 59,614,069</u>	<u>\$ 54,935,322</u>	<u>\$ 56,610,311</u>	<u>\$ 49,310,863</u>	<u>\$ 51,470,903</u>	<u>\$ 54,591,040</u>	<u>\$ 49,307,969</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 870,356	\$ 808,410	\$ 781,841	\$ 806,195	\$ 682,342	\$ 343,963	\$ 337,511	\$ 259,343	\$ 242,093	\$ 246,721
Public safety	566,867	440,910	479,993	505,368	393,438	555,043	392,982	515,762	509,470	644,868
Utilities and environment	2,133,538	1,914,108	1,895,266	1,672,521	1,476,872	1,154,959	1,271,038	1,604,956	1,670,017	1,279,582
Transportation	244,820	222,892	290,863	301,418	333,424	423,855	372,657	355,878	168,828	161,328
Economic environment	1,174,266	1,017,476	1,144,181	845,115	750,045	603,117	706,241	582,598	719,487	1,086,063
Culture and recreation	720,504	317,856	462,868	345,820	324,117	327,561	322,203	317,355	311,456	265,052
Operating grants and contributions	3,334,437	987,587	1,075,661	372,574	772,500	1,001,284	634,047	799,303	435,075	326,057
Capital grants and contributions	3,375,093	6,157,573	3,245,363	4,327,416	5,296,039	2,325,926	2,362,370	5,679,398	1,788,586	932,627
Total governmental activities program revenue	<u>\$ 12,419,881</u>	<u>\$ 11,866,812</u>	<u>\$ 9,376,036</u>	<u>\$ 9,176,427</u>	<u>\$ 10,028,777</u>	<u>\$ 6,735,708</u>	<u>\$ 6,399,049</u>	<u>\$ 10,114,593</u>	<u>\$ 5,845,012</u>	<u>\$ 4,942,298</u>

City of Walla Walla
Changes in Net Position (continued)
 (Accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type activities:										
Charges for services:										
Ambulance	\$ 1,538,762	\$ 1,627,741	\$ 1,606,795	\$ 1,920,251	\$ 2,105,437	\$ 2,087,991	\$ 2,097,681	\$ 2,228,244	\$ 2,005,678	\$ 2,127,791
Golf course	73,948	75,304	104,306	90,736	270,250	76,060	73,510	77,185	82,158	89,419
Landfill	4,951,864	4,690,036	4,380,629	4,030,508	3,368,013	3,153,082	3,225,809	3,327,597	3,195,565	3,313,955
Sanitation	5,684,986	5,515,937	5,118,064	4,783,827	4,751,480	4,687,252	4,636,330	4,509,943	4,174,490	3,784,891
Stormwater	2,451,304	2,300,055	1,593,500	1,495,465	1,422,438	1,352,572	1,316,701	1,253,731	882,822	724,404
Water/Wastewater	22,679,888	21,870,452	21,603,657	19,801,391	18,574,429	19,044,382	17,607,350	15,760,002	15,191,853	15,075,995
Operating grants and contributions	2,235,345	1,840,497	377,681	285,584	600,771	1,066,141	2,126,404	302,553	244,739	198,512
Capital grants and contributions	2,035,937	2,168,824	1,510,896	1,429,054	1,781,634	523,411	951,058	736,454	972,152	3,994,360
Total business-type activities program revenue	\$ 41,652,034	\$ 40,088,846	\$ 36,295,528	\$ 33,836,816	\$ 32,874,452	\$ 31,990,891	\$ 32,034,843	\$ 28,195,709	\$ 26,749,457	\$ 29,309,327
Total primary government program revenue	\$ 54,071,915	\$ 51,955,658	\$ 45,671,564	\$ 43,013,243	\$ 42,903,229	\$ 38,726,599	\$ 38,433,892	\$ 38,310,302	\$ 32,594,469	\$ 34,251,625
Net (expense)/revenue:										
Governmental activities	\$ (24,119,756)	\$ (23,828,792)	\$ (23,190,480)	\$ (21,903,109)	\$ (17,569,779)	\$ (20,314,094)	\$ (19,894,725)	\$ (16,148,626)	\$ (21,081,965)	\$ (20,819,203)
Business-type activities	7,000,599	9,662,363	7,445,073	5,302,283	5,537,687	2,430,382	9,017,754	2,988,025	(914,606)	5,762,859
Total primary government net expense	\$ (17,119,157)	\$ (14,166,429)	\$ (15,745,406)	\$ (16,600,825)	\$ (12,032,092)	\$ (17,883,712)	\$ (10,876,971)	\$ (13,160,601)	\$ (21,996,571)	\$ (15,056,344)
General Revenues and Other Changes										
Governmental activities:										
Taxes										
Property tax	\$ 7,095,973	\$ 7,577,730	\$ 7,277,314	\$ 6,239,821	\$ 6,374,356	\$ 6,254,026	\$ 5,964,834	\$ 5,926,165	\$ 5,780,071	\$ 4,575,216
Sales tax	8,831,118	8,815,394	8,132,270	7,470,268	7,258,757	6,537,878	5,881,627	5,687,489	6,134,841	6,646,811
Other taxes	8,547,756	8,204,322	7,800,142	6,985,778	6,684,324	6,740,308	6,535,487	6,120,433	6,331,078	6,196,929
Grants and Contributions - not restricted ⁽¹⁾	607,280	3,159,854	2,742,463	2,568,803	1,782,724	2,199,495	2,121,393	2,008,115	2,019,358	2,133,248
Unrestricted investment earnings ⁽²⁾	366,756	-	-	-	-	-	-	-	-	-
Miscellaneous general revenue	8,410	221,315	72,146	46,430	51,087	4,698	26,393	52,701	40,292	268,985
Gain on sale of assets	-	-	-	-	5,990	-	33,521	-	-	-
Transfers	1,813,555	2,030,510	1,686,605	543,344	817,637	577,962	1,375,181	1,493,227	531,109	(35,766)
Total governmental activities general revenue	\$ 27,270,848	\$ 30,009,125	\$ 27,710,940	\$ 23,854,444	\$ 22,974,873	\$ 22,314,367	\$ 21,938,436	\$ 21,288,130	\$ 20,836,749	\$ 19,785,423
Business-type activities:										
Intergovernmental ⁽¹⁾	\$ 39,206	\$ 1,450,850	\$ 1,389,746	\$ 1,273,873	\$ 1,258,535	\$ 1,240,450	\$ 1,251,569	\$ 1,217,964	\$ 1,250,410	\$ 903,647
Miscellaneous general revenue	236,280	56,033	118,034	218,234	266,356	294,668	353,819	348,921	486,027	744,451
Gain on sale of assets	45,399	301,372	63,620	57,304	11,528	3,156	10,352	-	10,857	13,610
Transfers	(1,813,555)	(2,030,510)	(1,686,605)	(543,344)	(817,637)	(577,962)	(1,375,181)	(1,493,227)	(531,109)	35,766
Total business-type activities general revenue	\$ (1,492,670)	\$ (222,255)	\$ (115,205)	\$ 1,006,067	\$ 718,783	\$ 960,312	\$ 240,559	\$ 73,658	\$ 1,216,185	\$ 1,697,474
Total primary government	\$ 25,778,178	\$ 29,786,870	\$ 27,595,735	\$ 24,860,511	\$ 23,693,655	\$ 23,274,679	\$ 22,178,995	\$ 21,361,788	\$ 22,052,934	\$ 21,482,897
Change in net position										
Governmental activities	\$ 3,151,092	\$ 6,180,333	\$ 4,520,460	\$ 1,951,335	\$ 5,405,094	\$ 2,000,273	\$ 2,043,711	\$ 5,139,504	\$ (245,216)	\$ (1,033,780)
Business-type activities	5,507,929	9,440,108	7,329,868	6,308,350	6,256,470	3,390,694	9,258,313	3,061,683	301,579	7,460,333
Total primary government	\$ 8,659,021	\$ 15,620,441	\$ 11,850,328	\$ 8,259,685	\$ 11,661,563	\$ 5,390,967	\$ 11,302,024	\$ 8,201,187	\$ 56,363	\$ 6,426,553
GASB 68 Adjustment - Governmental activities				(6,998,245)						
GASb 68 Adjustment - Business-type activities				(1,861,019)						
Total adjusted primary government				\$ (599,579)						

⁽¹⁾ Intergovernmental remapped to other functions in 2017

⁽²⁾ Part of Intergovernmental remapping in 2017

City of Walla Walla
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund (Per GASB 54)⁽¹⁾										
Nonspendable	\$ 107,272	\$ 47,043	\$ 43,623	\$ 55,428	\$ 56,714	\$ 48,844	\$ 34,638	\$ -	\$ -	\$ -
Restricted	207,807	148,145	209,535	901,919	1,072,404	888,642	158,239	-	-	-
Committed	529,558	524,938	521,183	18,303	15,058	11,052	7,377	-	-	-
Unassigned	3,562,300	4,625,143	4,837,752	4,503,888	3,917,645	3,298,864	3,039,942	-	-	-
General Fund (Prior GASB 54)⁽¹⁾										
Reserved	-	-	-	-	-	-	-	445,580	177,337	106,358
Unreserved	-	-	-	-	-	-	-	1,868,624	2,315,670	2,771,992
Total general fund	\$ 4,406,937	\$ 5,345,269	\$ 5,612,093	\$ 5,479,538	\$ 5,061,821	\$ 4,247,402	\$ 3,240,196	\$ 2,314,204	\$ 2,493,007	\$ 2,878,350
All Other Governmental Funds (Per GASB 54)⁽¹⁾										
Nonspendable	\$ 16,545	\$ 16,545	\$ 16,545	\$ 16,545	\$ 16,545	\$ 17,790	\$ 32,146	\$ -	\$ -	\$ -
Restricted	2,678,048	1,899,169	6,981,127	1,736,966	1,490,212	1,595,196	2,088,025	-	-	-
Committed	2,568,986	2,577,210	2,403,617	2,629,948	2,535,408	2,247,092	2,447,204	-	-	-
Assigned	29,144	13,370	23,730	28,677	69,939	104,902	130,434	-	-	-
Unassigned	(1,084,869)	(510,725)	(682,715)	(985,685)	(1,107,746)	(358,833)	(488,292)	-	-	-
All Other Governmental Funds (Prior GASB 54)⁽¹⁾										
Reserved	-	-	-	-	-	-	-	850,006	844,823	823,273
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	1,262,193	1,021,855	1,129,100
Debt service funds	-	-	-	-	-	-	-	221,151	186,096	495,144
Capital project funds	-	-	-	-	-	-	-	10,370,535	11,119,318	757,412
Permanent funds	-	-	-	-	-	-	-	19,090	18,564	37,144
Total other governmental funds	\$ 4,207,854	\$ 3,995,569	\$ 8,742,304	\$ 3,426,451	\$ 3,004,358	\$ 3,606,147	\$ 4,209,517	\$ 12,722,975	\$ 13,190,656	\$ 3,242,073

⁽¹⁾ Prior to 2011 and the implementation of GASB 54, fund balances were classified as Reserved or Unreserved.
Under GASB 54 fund balances are classified as Nonspendable, Reserved, Committed, Assigned, or Unassigned.

City of Walla Walla
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 24,520,123	\$ 24,155,908	\$ 22,006,791	\$ 20,860,501	\$ 20,168,861	\$ 18,694,349	\$ 17,961,449	\$ 17,181,308	\$ 16,611,739	\$ 16,841,399
Licenses and permits	1,140,558	1,219,756	1,301,815	986,234	888,301	759,407	833,201	609,565	700,973	964,093
Intergovernmental	4,793,611	3,227,625	4,981,353	2,733,232	5,822,049	3,667,660	3,296,987	4,727,086	3,619,535	2,298,529
Charges for goods and services	8,245,254	7,483,827	7,473,887	7,018,159	6,417,762	6,081,043	6,049,680	6,893,718	6,581,763	5,679,186
Fines and forfeits	196,270	205,949	207,984	197,036	259,895	278,038	282,355	304,466	301,911	359,050
Miscellaneous revenues	1,819,477	894,276	681,044	517,559	1,019,057	1,295,681	550,889	394,948	388,841	757,583
Total revenues	\$ 40,715,293	\$ 37,187,341	\$ 36,652,874	\$ 32,312,721	\$ 34,575,925	\$ 30,776,178	\$ 28,974,561	\$ 30,111,091	\$ 28,204,762	\$ 26,899,840
Expenditures										
Current:										
General government	\$ 8,106,587	\$ 7,742,169	\$ 7,429,590	\$ 6,338,741	\$ 5,907,939	\$ 5,899,717	\$ 5,606,512	\$ 5,506,634	\$ 5,666,282	\$ 5,448,438
Public safety	14,568,000	13,765,770	12,624,805	11,834,771	11,499,592	13,127,711	12,710,585	12,537,110	12,307,401	11,623,729
Utilities and environment	2,895,895	2,690,464	2,620,860	2,387,847	2,221,713	1,992,305	1,868,845	2,327,038	2,466,834	2,155,795
Transportation	3,632,075	2,919,421	2,905,840	1,789,636	1,800,218	1,728,705	1,992,451	1,546,263	1,373,395	1,691,921
Economic environment	2,101,562	950,080	884,540	1,138,245	1,080,826	42,813	556,503	996,500	1,014,531	972,451
Culture and recreation	4,250,683	4,512,065	4,371,195	3,906,501	3,853,727	3,710,615	3,549,324	3,406,847	3,898,419	3,819,310
Social services ⁽¹⁾	155,435	4,438	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	1,073,539	8,801,570	1,053,481	829,594	3,594,594	754,595	752,973	1,112,973	337,973	321,352
Interest	544,262	1,350,861	515,940	566,370	616,826	644,259	650,653	686,624	213,335	223,310
Administrative charges	2,421	134,690	100,073	67	28,652	1,382	1,381	13,823	1,260	1,269
Capital outlay:										
General government	265,656	36,265	20,940	87,169	74,354	81,389	109,424	71,127	107,941	110,733
Public safety	24,968	43,089	106,358	133,376	66,685	362,577	7,672,849	1,315,702	1,118,552	167,758
Utilities and environment	-	-	-	212,495	19,428	-	-	6,059	13,461	-
Transportation	3,912,289	3,549,000	5,330,846	2,716,616	7,207,154	2,520,211	2,432,470	4,012,258	1,971,844	1,955,435
Economic environment	-	-	-	18,731	-	-	16,936	206,163	-	-
Culture and recreation	1,597,947	6,334,034	1,682,816	15,790	-	-	24,320	-	224,719	112,435
Total expenditures	\$ 43,131,319	\$ 52,833,916	\$ 39,647,284	\$ 31,975,949	\$ 37,971,708	\$ 30,866,279	\$ 37,945,226	\$ 33,745,121	\$ 30,715,947	\$ 28,603,936
Excess revenues over (under) expenditures	\$ (2,416,026)	\$ (15,646,575)	\$ (2,994,410)	\$ 336,772	\$ (3,395,783)	\$ (90,101)	\$ (8,970,665)	\$ (3,634,030)	\$ (2,511,185)	\$ (1,704,096)
Other financing sources (uses)										
Transfers in	\$ 5,391,572	\$ 5,920,359	\$ 6,213,679	\$ 3,503,675	\$ 3,984,092	\$ 2,089,174	\$ 3,153,663	\$ 3,402,196	\$ 1,384,455	\$ 3,028,761
Transfers out	(3,706,652)	(3,945,230)	(4,642,149)	(3,020,513)	(3,240,122)	(1,580,807)	(1,854,812)	(2,019,031)	(1,083,128)	(3,217,646)
Insurance recoveries	5,059	8,536	-	19,874	18,453	9,198	50,828	283,114	13,720	77,094
Bonds issued	-	-	6,310,000	-	-	-	-	1,260,000	11,595,000	-
Premium on bonds issued	-	904,351	366,297	-	-	-	-	61,298	126,787	-
Proceeds from debt/refunding debt	-	7,745,000	194,991	-	2,840,000	-	-	-	-	-
Proceeds from disposal of capital assets	-	-	-	-	5,990	-	33,521	-	8,000	-
Total other financing sources (uses)	\$ 1,689,979	\$ 10,633,016	\$ 8,442,818	\$ 503,036	\$ 3,608,413	\$ 517,565	\$ 1,383,200	\$ 2,987,577	\$ 12,044,834	\$ (111,791)
Net change in fund balances	\$ (726,047)	\$ (5,013,559)	\$ 5,448,408	\$ 839,808	\$ 212,630	\$ 427,464	\$ (7,587,465)	\$ (646,453)	\$ 9,533,649	\$ (1,815,887)
Debt service as a percentage of noncapital expenditures	4.33%	23.68%	4.83%	4.85%	13.76%	5.01%	5.07%	6.40%	2.02%	2.07%

⁽¹⁾ Social Services began in 2016. No prior year data.

City of Walla Walla
Governmental Activities Tax Revenue by Source
Last Ten Fiscal Years
(Accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Property tax	\$ 7,095,973	\$ 7,577,730	\$ 7,277,314	\$ 6,239,821	\$ 6,374,356	\$ 6,254,026	\$ 5,964,834	\$ 5,926,165	\$ 5,780,071	\$ 4,575,216
Sales tax	8,831,118	8,815,394	8,132,270	7,470,268	7,258,757	6,537,878	5,881,627	5,687,489	6,134,841	6,646,811
Business and occupation tax	3,105,232	2,946,561	3,155,966	3,211,772	3,109,346	3,075,359	3,139,605	3,137,873	3,464,751	3,050,559
Utility excise tax	4,544,087	4,372,166	4,164,429	3,164,614	2,874,497	2,573,264	2,461,493	2,296,596	2,152,560	2,278,219
Gambling tax	71,829	102,573	(187,170)	52,726	210,821	25,691	88,872	108,771	135,422	163,759
Real estate excise tax	452,590	396,849	346,043	290,807	240,983	225,353	181,063	188,777	192,846	290,268
Leasehold tax	37,702	41,976	42,545	35,498	36,791	30,839	31,009	27,258	30,831	64,193
E911 access tax*	-	-	-	-	-	596,200	417,874	342,780	354,668	349,931
Tourism promotion area tax	336,316	344,197	278,329	230,361	211,886	213,602	215,571	18,378	-	-
Total taxes	\$ 24,474,847	\$ 24,597,446	\$ 23,209,726	\$ 20,695,867	\$ 20,317,437	\$ 19,532,212	\$ 18,381,948	\$ 17,734,087	\$ 18,245,990	\$ 17,418,956

*In 2013, the City of Walla Walla stopped reporting E911 Access Tax in this schedule, only Walla Walla County levies such tax, which is available to the City per interlocal agreement.

**City of Walla Walla
Property Tax Rates
Direct and Overlapping Governments ⁽¹⁾
Last Ten Fiscal 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	
2018	2.620	0.631	3.251	1.474	-	1.474	3.479	1.227	4.706	9.431
2017	2.534	0.644	3.178	1.457	-	1.457	3.513	1.218	4.731	9.366
2016	2.630	0.703	3.333	1.493	-	1.493	3.656	1.262	4.918	9.744
2015	2.595	0.345	2.940	1.485	-	1.485	3.712	1.282	4.994	9.419
2014	2.558	0.607	3.165	1.474	-	1.474	3.687	1.231	4.918	9.557
2013	2.517	0.610	3.127	1.486	-	1.486	3.649	1.249	4.898	9.511
2012	2.386	0.607	2.993	1.498	-	1.498	3.595	1.269	4.864	9.355
2011	2.381	0.606	2.987	1.494	-	1.494	3.409	1.301	4.710	9.191
2010	2.395	0.590	2.985	1.517	0.076	1.593	3.290	1.267	4.557	9.135
2009	2.236	-	2.236	1.450	0.070	1.52	2.940	1.066	4.006	7.762
2008	2.287	0.200	2.487	1.567	0.071	1.638	3.086	1.190	4.277	8.402

Source: Walla Walla County Assessment Guide by the Assessor's Office

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

**City of Walla Walla
Assessed Value of Taxable Property ⁽¹⁾
Last Ten Fiscal Years (and Next Year)**

Fiscal Year	Real Property Value	Personal Property Value	State Assessed Value	Less: Open Space Loss	Less: Senior Loss	Less: Exempt Loss ⁽²⁾	Less: Head of Household Loss	Less: Minimum Value Loss	Total Taxable Assessed Value	Direct Tax Rate
2018	\$ 2,739,106,872	\$ 81,967,040	\$ 48,038,171	\$ 5,653,480	\$ 46,122,638	\$ 353,588,590	\$ 582,950	\$ 19,720	\$ 2,463,144,705	3.2509
2017	2,579,778,378	87,068,060	44,297,980	5,881,331	46,284,448	321,027,980	552,000	7,140	2,337,391,519	3.1783
2016	2,412,557,034	120,067,212	45,833,173	1,999,939	47,192,431	345,801,828	884,870	7,560	2,182,570,791	3.3323
2015	2,314,569,479	76,540,480	45,110,156	31,044,750	38,616,960	267,668,220	962,090	15,265	2,097,912,830	2.9399
2014	1,949,365,400	76,206,477	42,487,527	2,063,700	57,391,000	-	1,007,627	13,269	2,007,583,808	3.1649
2013	1,949,683,000	74,531,270	45,556,053	2,126,000	60,941,100	-	967,312	12,051	2,005,723,860	3.1267
2012	1,943,952,000	73,572,252	50,888,881	2,043,600	66,371,700	-	1,044,125	10,458	1,998,943,250	2.9934
2011	1,941,762,300	76,134,762	45,870,117	2,053,500	70,845,100	-	1,137,779	12,677	1,989,718,123	2.9879
2010	1,892,238,900	77,077,453	41,667,687	2,179,700	66,148,200	-	1,183,746	7,121	1,941,465,273	2.9852
2009	2,007,951,200	73,227,804	44,635,592	2,184,300	76,759,100	-	1,489,045	8,824	2,045,373,327	2.2369
2008	1,755,744,100	70,919,566	42,356,780	1,714,600	71,077,500	-	1,651,914	9,106	1,794,567,326	2.4866

Source: Walla Walla County Assessor's Office

Notes: ⁽¹⁾ The County assesses property at 100% of actual value.

⁽²⁾ Exempt Loss column added in 2015 by County Assessor's Office.

**City of Walla Walla
Top Ten Principal Property Taxpayers
Current Year and Eight Years Ago**

	2017		2009	
	<u>Assessed Value</u>	<u>Rank</u>	<u>Assessed Value</u>	<u>Rank</u>
<u>City Taxpayers</u>				
Walla Walla General Hospital	\$ 15,562,230	1	\$ 12,145,107	5
Columbia Rural Electric Assn.	12,772,124	2		
Pacificorp	11,943,197	3	13,772,377	3
Key Technology Inc.	10,930,000	4	14,683,316	2
Bouchon Park LLC	10,471,800	5		
Baker Boyer Bank	10,056,160	6	12,265,872	4
Walla Walla Hospitality LLC	8,247,800	7		
Lions Gate Apartments LLC	8,017,120	8		
Banner Bank	7,763,950	9	12,000,549	6
Eastgate Market Center LLC	7,741,140	10		
Walla Walla Holdings LLC			16,254,300	1
Qwest Corporation			11,881,491	7
Whitman College			11,321,600	8
Marcus Whitman Hotel and Conference			9,960,442	9
Provenance I LLC			8,752,500	10

Source: 2017 data provided by the Walla Walla County Assessor Office.

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

Fiscal Year	Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date			
	\$		\$	% of Levy		\$	% of Levy		
2017	\$	7,407,689	\$	7,052,747	95.2%	\$	7,052,747	95.21%	
2016		7,253,414		7,110,707	98.0%		100,065	7,210,772	99.41%
2015		6,157,923		6,029,512	97.9%		112,643	6,142,155	99.74%
2014		6,336,964		5,977,960	94.3%		350,786	6,328,746	99.87%
2013		6,254,026		5,908,411	94.5%		342,543	6,250,954	99.95%
2012		5,964,834		5,642,366	94.6%		321,617	5,963,983	99.99%
2011		4,737,642		4,359,015	92.0%		377,609	4,736,624	99.98%
2010		4,649,972		4,370,974	94.0%		277,874	4,648,848	99.98%
2009		4,575,216		4,397,339	96.1%		176,532	4,573,871	99.97%
2008		4,458,320		4,303,042	96.5%		154,137	4,457,179	99.97%

Source: December Walla Walla 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 ⁽¹⁾

NAICS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
11 Agriculture, Forestry, Fishing and Hunting	\$ 374,095	\$ 304,373	\$ 378,657	\$ 295,499	\$ 152,267	\$ 998,635	\$ 440,249	\$ 259,086	\$ 367,460	\$ 281,795	
21 Mining	60,294	15,940	28,407	-	-	20,076	8,263	-	-	-	
22 Utilities	2,567,870	2,376,129	1,502,411	1,447,044	847,080	247,597	146,413	1,217,774	1,799,040	1,349,139	
23 Construction	110,490,487	79,461,799	64,674,573	72,773,406	89,737,741	81,427,416	62,587,997	104,112,247	133,790,392	113,765,933	
31-33 Manufacturing	17,676,191	16,472,960	12,995,932	13,710,658	12,307,192	11,061,333	12,967,022	12,497,611	14,620,878	11,858,392	
42 Wholesale Trade	46,973,255	49,077,071	47,375,785	49,180,308	51,990,125	46,016,643	43,465,905	49,164,232	50,976,282	53,090,838	
44-45 Retail Trade	233,071,548	224,498,351	211,598,298	199,099,058	187,644,188	184,775,496	189,534,010	195,968,182	201,935,494	207,160,060	
48-49 Transportation and Warehousing	1,552,074	1,444,933	1,482,946	908,487	983,032	810,522	1,071,859	579,472	710,682	698,613	
51 Information	26,927,281	25,755,159	25,417,677	25,153,226	22,904,649	22,750,383	21,422,121	23,595,659	23,523,134	22,905,585	
52 Finance and Insurance	5,924,169	8,309,215	4,353,265	3,923,533	4,400,141	3,935,159	3,556,762	3,555,265	4,288,099	2,900,953	
53 Real Estate and Rental and Leasing	10,295,751	9,474,785	9,912,417	9,037,326	9,840,076	7,352,468	8,160,359	8,374,609	7,389,271	7,207,386	
54 Professional, Scientific, and Technical Services	11,287,843	11,850,757	8,938,928	8,038,972	8,232,498	9,337,468	7,861,467	7,788,402	6,721,636	7,658,558	
55-62 Management, Education & Health Services	22,680,982	21,220,209	19,229,810	17,758,592	16,670,508	14,752,764	13,707,230	15,755,833	16,763,226	14,293,790	
71 Arts, Entertainment, and Recreation	4,238,750	3,977,570	4,125,868	4,225,137	4,017,630	4,141,316	4,059,648	4,021,263	3,892,803	4,236,841	
72 Accommodation and Food Services	100,330,413	93,979,872	87,869,735	81,995,265	79,774,260	74,397,364	69,862,111	66,520,917	68,934,057	64,136,938	
81 Other Services (except Public Administration)	18,133,602	18,644,999	17,761,384	15,885,563	16,145,496	19,650,008	20,363,208	14,793,562	17,674,837	16,627,595	
92 Public Administration	2,453,325	2,012,705	1,677,539	1,279,722	563,693	445,152	367,979	561,762	5,035,384	3,944,582	
Total Local Sales and Use Taxable Retail Sales	\$ 615,037,930	\$ 568,876,827	\$ 519,323,632	\$ 504,711,796	\$ 506,210,576	\$ 482,119,800	\$ 459,582,603	\$ 508,765,876	\$ 558,422,675	\$ 532,116,998	
City of Walla Walla Sales & Use Tax Rates											
Local Basic	0.425%	\$ 2,613,911	\$ 2,417,727	\$ 2,207,125	\$ 2,145,025	\$ 2,151,395	\$ 2,049,009	\$ 1,953,226	\$ 2,162,255	\$ 2,373,296	\$ 2,261,497
Local Optional	0.425%	2,613,911	2,417,727	2,207,125	2,145,025	2,151,395	2,049,009	1,953,226	2,162,255	2,373,296	2,261,497
Criminal Justice	0.100%	615,038	568,877	519,324	504,712	506,211	482,120	459,583	508,766	558,423	532,117
Public Safety	0.090%	553,534	511,989	467,391	454,241	455,590	433,908	413,624	457,889	502,580	478,905
Transportation Benefit District ⁽²⁾	0.200%	1,230,076	1,137,754	1,038,647	1,009,424	1,012,421	-	-	-	-	-
Total City of Walla Walla Sales & Use Tax ⁽³⁾	1.240%	\$ 7,626,470	\$ 7,054,074	\$ 6,439,612	\$ 6,258,427	\$ 6,277,012	\$ 5,014,046	\$ 4,779,659	\$ 5,291,165	\$ 5,807,595	\$ 5,534,016
State Sales & Use Tax Rate	6.500%										
Valley Transit	0.600%										
Walla Walla County Sales & Use Tax Rates:											
Local Basic	0.075%										
Local Optional	0.075%										
Public Safety	0.310%										
Juvenile Justice/Detention	0.100%										
Total Walla Walla County Sales & Use Tax Rate	0.560%										
Total Local Sales & Use Tax Rate	8.900%										

Source: WA State Department of Revenue.

Notes: ⁽¹⁾ 2016 is the latest annual data available.

⁽²⁾ The City of Walla Walla started collecting 0.200% tax rate for the Transportation Benefit District as of July 1, 2012.

⁽³⁾ Calculated sales and use taxes above will not equal reported total sales tax revenue because 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
Year Ending December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues ⁽¹⁾										
Charges for Water Services	\$ 12,142,931	\$ 11,693,088	\$ 11,372,034	\$ 9,861,984	\$ 9,059,602	\$ 9,839,557	\$ 9,111,296	\$ 8,250,027	\$ 8,039,618	\$ 8,119,978
Charges for Wastewater Services	10,366,269	10,089,298	10,202,032	9,909,038	9,434,094	8,914,574	8,481,396	7,498,277	7,105,207	6,868,450
Miscellaneous	153,935	88,064	29,590	23,243	100,733	290,251	53,118	148,685	13,215	630,000
Interest Income	42,613	9,988	52,218	150,488	169,542	196,196	214,429	216,771	273,287	510,695
Capital Contributions	1,325,595	1,868,870	1,268,748	915,102	857,105	387,834	873,199	340,787	473,772	2,895,478
Total Revenues	\$ 24,031,343	\$ 23,749,308	\$ 22,924,622	\$ 20,859,855	\$ 19,621,076	\$ 19,628,412	\$ 18,733,438	\$ 16,454,547	\$ 15,905,099	\$ 19,024,601
Expenses ⁽²⁾										
Personnel Services	\$ 2,147,720	\$ 1,934,568	\$ 1,751,623	\$ 1,727,725	\$ 1,595,970	\$ 1,509,860	\$ 1,410,031	\$ 1,386,383	\$ 1,257,225	\$ 1,338,152
Supplies	732,177	582,771	651,756	565,671	466,341	427,014	53,998	994,849	332,995	489,341
Services/Charges	6,317,323	4,562,365	2,993,484	2,863,729	2,871,338	3,070,387	2,680,107	2,905,518	2,457,678	2,364,047
Governmental Charges	7,566,260	7,358,681	6,895,866	6,108,966	5,516,941	5,260,635	4,889,174	5,026,399	4,785,148	4,338,035
Bad Debt Expense	-	-	-	-	28,958	-	-	568	1,238	298
Total Expenses	\$ 16,763,480	\$ 14,438,385	\$ 12,292,729	\$ 11,266,091	\$ 10,479,548	\$ 10,267,896	\$ 9,033,310	\$ 10,313,717	\$ 8,834,284	\$ 8,529,873
Net Revenue of System	\$ 7,267,863	\$ 9,310,923	\$ 10,631,893	\$ 9,593,764	\$ 9,141,528	\$ 9,360,516	\$ 9,700,128	\$ 6,140,830	\$ 7,070,815	\$ 10,494,728

⁽¹⁾ Excludes transfers-in/out.

⁽²⁾ Excludes depreciation, debt service and non-operating activity except for miscellaneous revenues.

City of Walla Walla
System Historical Operating Results and Debt Service Coverage
Year Ending December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues of the System:										
Operating Income	\$ 22,509,200	\$ 21,782,386	\$ 21,574,066	\$ 19,771,022	\$ 18,493,696	\$ 18,754,131	\$ 17,592,692	\$ 15,748,304	\$ 15,144,825	\$ 14,988,428
Other Income	1,522,143	1,966,922	1,350,556	1,088,833	1,127,380	874,281	1,140,746	706,243	760,274	4,036,173
Total Revenues	\$ 24,031,343	\$ 23,749,308	\$ 22,924,622	\$ 20,859,855	\$ 19,621,076	\$ 19,628,412	\$ 18,733,438	\$ 16,454,547	\$ 15,905,099	\$ 19,024,601
Costs of Maintenance and Operation	\$ 16,763,480	\$ 14,438,385	\$ 12,292,729	\$ 11,266,091	\$ 10,479,548	\$ 10,267,896	\$ 9,033,310	\$ 10,313,717	\$ 8,834,284	\$ 8,529,873
Net Revenue Available for Debt Service	\$ 7,267,863	\$ 9,310,923	\$ 10,631,893	\$ 9,593,764	\$ 9,141,528	\$ 9,360,516	\$ 9,700,128	\$ 6,140,830	\$ 7,070,815	\$ 10,494,728
Maximum Annual Debt Service ⁽³⁾	\$ -	\$ -	\$ -	\$ 2,586,488	\$ 2,586,488	\$ 3,036,339	\$ 3,036,339	\$ 3,036,339	\$ 3,036,339	\$ 3,250,340
Debt Ratio	N/A	N/A	N/A	3.71	3.53	3.08	3.19	2.02	2.33	3.23

⁽³⁾ In 2015, the City paid off the balance of the 2005 Water/Wastewater bonds, \$7,175,000, therefore there is no remaining debt service at the end of 2015.

**City of Walla Walla
Water/Wastewater Various Rates and Capital Facility Charges
Last Ten Fiscal Years**

Water Utility Monthly Meter Charges

Meter Size (inches)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
3/4	\$ 36.50	\$ 35.10	\$ 32.90	\$ 27.80	\$ 25.70	\$ 23.80	\$ 22.20	\$ 20.40	\$ 19.08	\$ 18.61
1	72.60	69.90	65.50	55.30	51.20	47.40	44.30	40.60	37.97	37.04
1 1/2	145.30	139.90	131.10	110.70	102.50	94.90	88.70	81.40	76.03	74.18
2	232.50	223.80	209.80	177.20	164.10	151.90	142.00	130.30	121.75	118.78
3	435.00	418.80	392.60	331.60	307.00	284.30	265.70	243.80	227.89	222.33
4	725.80	698.80	655.00	553.20	512.20	474.30	443.30	406.70	380.08	370.81
6	1,459.50	1,405.10	1,317.10	1,112.40	1,030.00	953.70	891.30	817.70	764.24	745.60
8	2,177.50	2,096.40	1,965.10	1,659.70	1,536.80	1,423.00	1,329.90	1,220.10	1,140.27	1,112.46
10	2,903.30	2,795.10	2,620.10	2,212.90	2,049.00	1,897.20	1,773.10	1,626.70	1,520.24	1,483.16

Water Utility Consumption Charges per 100 Cubic Feet

Customer Class	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Residential	\$ 1.90	\$ 1.80	\$ 1.70	\$ 1.58	\$ 1.46	\$ 1.35	\$ 1.26	\$ 1.16	\$ 1.08	\$ 1.05
Commercial	1.50	1.40	1.30	1.17	1.08	1.00	0.93	0.85	0.79	0.77
Industrial	1.50	1.40	1.30	1.21	1.12	1.04	0.97	0.89	0.83	0.81
Public	1.50	1.40	1.30	1.17	1.08	1.00	0.93	0.85	0.79	0.77

Water Utility Connection Charges for Permanent Meters

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Meter Installation Fee-3/4"	\$ 250.00	\$ 239.00	\$ 577.00	\$ 577.00	\$ 534.00	\$ 494.00	\$ 462.00	\$ 424.00	\$ 396.00	\$ 385.00
Meter Installation Fee-1" or larger	260.00	249.00	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost
Service connection charge-1" service line ⁽¹⁾	2,810.00	2,772.00	\$638.00 plus applicable fees	\$638.00 plus applicable fees	\$547.00 plus applicable fees	\$547.00 plus applicable fees	\$511.00 plus applicable fees	\$469.00 plus applicable fees	\$438.00 plus applicable fees	\$425.00 plus actual excess costs
Service connection charge-2" service line ⁽²⁾	4,440.00	4,278.00	-	-	-	-	-	-	-	-
Service connection charge-larger than 2" service lin-	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost	Actual cost

⁽¹⁾ 1-inch service line (service line only; meter separate).

⁽²⁾ Service line and meter (separate charges) greater than 2" will be "actual cost to city plus applicable fees" as of 2016.

City of Walla Walla
Water/Wastewater Various Rates and Capital Facility Charges (continued)
Last Ten Fiscal Years

Water Capital Facilities Charges										
Meter Size (inches)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
5/8 & 3/4	\$ 3,870.00	\$ 3,750.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00	\$ 1,785.00
1	6,450.00	6,250.00	2,981.00	2,981.00	2,981.00	2,981.00	2,981.00	2,981.00	2,981.00	2,981.00
1 1/2	12,910.00	12,500.00	5,944.00	5,944.00	5,944.00	5,944.00	5,944.00	5,944.00	5,944.00	5,944.00
2	20,650.00	20,000.00	9,514.00	9,514.00	9,514.00	9,514.00	9,514.00	9,514.00	9,514.00	9,514.00
3	41,300.00	40,000.00	19,046.00	19,046.00	19,046.00	19,046.00	19,046.00	19,046.00	19,046.00	19,046.00
4	64,540.00	62,500.00	29,810.00	29,810.00	29,810.00	29,810.00	29,810.00	29,810.00	29,810.00	29,810.00

Wastewater Capital Facilities Charges										
Charge	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Side Sewer Charge	1,647.00	1,595.00	1,104.00	1,104.00	1,032.00	974.00	928.00	844.00	774.00	750.00

Wastewater Utility Rates										
(For First 800 Cubic Feet or Less)										
Total Monthly Charge										
Customers Connected to the Wastewater Utility ⁽¹⁾	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Residential	\$ 53.30	\$ 52.10	\$ 52.10	\$ 52.10	\$ 48.70	\$ 45.90	\$ 43.70	\$ 39.70	\$ 36.42	\$ 35.29
Multi-Family Residences (per unit)	31.90	31.20	31.20	31.20	29.20	27.50	26.20	23.80	21.82	21.14
Commercial	52.20	51.00	51.00	51.00	47.70	45.00	42.90	39.00	35.75	34.65
Public	62.90	61.50	61.50	61.50	57.50	54.20	51.60	46.90	43.05	41.72
Industrial	66.80	65.30	65.30	65.30	61.00	57.50	54.80	49.80	45.70	44.28
City of Walla Walla	15.60	15.20	15.20	15.20	14.20	13.40	12.80	11.60	10.65	10.32

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

City of Walla Walla
Water and Wastewater Utility Customers by Category
Last Ten Fiscal Years

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Water																					
Residential	9,433	88.1%	9,304	89.2%	9,373	88.9%	9,299	88.9%	9,258	89.0%	9,174	89.0%	9,127	89.0%	9,091	89.0%	9,047	89.0%	9,053	88.0%	
Multifamily	146	1.4%	146	1.4%	146	1.4%	146	1.4%	144	1.4%	145	1.4%	145	1.4%	146	1.4%	149	1.5%	157	1.5%	
Commercial	908	8.5%	876	8.4%	910	8.6%	898	8.6%	885	8.5%	878	8.5%	871	8.5%	866	8.5%	865	8.5%	985	9.6%	
Industrial	13	0.1%	13	0.1%	14	0.1%	14	0.1%	14	0.1%	14	0.1%	14	0.1%	11	0.1%	11	0.1%	12	0.1%	
Public	101	0.9%	92	0.9%	99	0.9%	98	0.9%	99	1.0%	98	1.0%	98	1.0%	96	0.9%	93	0.9%	80	0.8%	
Total	10,702	100%	10,431	100%	10,542	100%	10,455	100%	10,400	100%	10,309	100%	10,255	100%	10,210	100%	10,165	100.0%	10,287	100.0%	

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Wastewater																					
Residential	8,914	88.2%	8,432	89.5%	8,365	90.6%	8,271	89.5%	8,202	89.4%	8,469	90.4%	656	36.2%	8,381	89.4%	8,344	89.3%	8,050	89.3%	
Multifamily	146	1.4%	142	1.5%	143	1.5%	140	1.5%	141	1.5%	145	1.5%	145	8.0%	145	1.5%	149	1.6%	147	1.6%	
Commercial	858	8.5%	763	8.1%	655	7.1%	749	8.1%	745	8.1%	688	7.3%	773	42.7%	766	8.2%	767	8.2%	734	8.2%	
Industrial	8	0.1%	7	0.1%	6	0.1%	7	0.1%	7	0.1%	7	0.1%	155	8.6%	6	0.1%	6	0.1%	5	0.1%	
Public	92	0.9%	80	0.8%	64	0.7%	78	0.8%	77	0.8%	64	0.7%	83	4.6%	78	0.8%	74	0.8%	70	0.8%	
Total	10,110	100%	9,424	100%	9,233	100%	9,245	100%	9,172	100%	9,373	100%	1,812	100%	9,376	100%	9,340	100%	9,006	100%	

	<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Water/Wastewater																					
Residential	9,433	80.9%	9,304	89.2%	9,373	88.9%	9,299	88.9%	9,258	89.0%	9,174	89.0%	9,127	89.0%	9,091	89.0%	9,047	89.0%	9,053	88.0%	
Total Comm'l/Multifamily	1,054	9.0%	1,022	9.8%	1,056	10.0%	1,044	10.0%	1,029	9.9%	1,023	9.9%	1,016	9.9%	1,012	9.9%	1,014	10.0%	1,142	11.1%	
Industrial	13	0.1%	13	0.1%	14	0.1%	14	0.1%	14	0.1%	14	0.1%	14	0.1%	11	0.1%	11	0.1%	12	0.1%	
Public	101	0.9%	92	0.9%	99	0.9%	98	0.9%	99	1.0%	98	1.0%	98	1.0%	96	0.9%	93	0.9%	80	0.8%	
Total	11,655	100%	10,431	100%	10,542	100%	10,455	100%	10,400	100%	10,309	100%	10,255	100%	10,210	100%	10,165	100%	10,287	100%	

City of Walla Walla
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General governmental activities:										
General obligation bonds	\$17,673,550	\$18,913,480	\$19,156,019	\$13,336,613	\$14,251,920	\$15,098,397	\$15,952,984	\$16,813,648	\$16,897,376	\$5,874,532
Special assessment bonds	106,848	141,847	241,311	288,689	477,749	515,163	551,000	-	-	-
Business-type activities										
Water bonds	5,842,545	6,193,085	-	7,709,800	10,529,442	13,228,200	16,097,400	18,740,400	16,750,000	18,555,000
Wastewater bonds	-	-	-	1,600,200	2,578,561	3,496,800	4,672,600	5,749,600	1,900,000	2,255,000
Water/Wastewater bonds	<u>5,842,545</u>	<u>6,193,085</u>	<u>-</u>	<u>9,310,000</u>	<u>13,108,003</u>	<u>16,725,000</u>	<u>20,770,000</u>	<u>24,490,000</u>	<u>18,650,000</u>	<u>20,810,000</u>
Water loans	166,475	228,421	162,632	216,842	271,052	325,263	379,473	433,683	487,894	542,104
Wastewater loans	8,447,356	10,402,181	12,320,581	14,204,009	16,053,854	17,871,450	19,658,082	21,414,981	23,143,331	24,518,019
Water/Wastewater loans	<u>8,613,830</u>	<u>10,630,602</u>	<u>12,483,213</u>	<u>14,420,851</u>	<u>16,324,906</u>	<u>18,196,713</u>	<u>20,037,555</u>	<u>21,848,664</u>	<u>23,631,225</u>	<u>25,060,123</u>
Landfill bonds	5,247,772	2,979,054	3,360,451	3,687,590	4,030,141	4,352,692	4,670,243	4,976,400	2,362,558	2,548,714
Golf course bonds	158,998	183,032	206,605	224,168	242,022	259,876	277,730	293,600	309,470	325,341
Capital Lease	202,818									
Total primary government	<u>\$37,846,361</u>	<u>\$39,041,100</u>	<u>\$35,447,599</u>	<u>\$41,267,911</u>	<u>\$48,434,741</u>	<u>\$55,147,841</u>	<u>\$62,259,512</u>	<u>\$68,422,312</u>	<u>\$61,850,629</u>	<u>\$54,618,710</u>
Percentage of personal income ⁽¹⁾	1.44%	1.64%	1.54%	1.82%	2.10%	2.43%	2.81%	3.28%	3.03%	2.63%
Per capita	<u>\$ 1,118</u>	<u>\$ 1,162</u>	<u>\$ 1,048</u>	<u>\$ 1,292</u>	<u>\$ 1,517</u>	<u>\$ 1,737</u>	<u>\$ 1,966</u>	<u>\$ 2,156</u>	<u>\$ 1,957</u>	<u>\$ 1,742</u>

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

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

Used 2013 personal income, latest available data, to calculate "percentage of personal income" for 2013 and 2014.

City of Walla Walla
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General obligation bonds	\$28,922,865	\$28,268,651	\$22,723,075	\$26,558,371	\$18,524,083	\$24,925,965	\$27,655,957	\$30,188,648	\$19,569,404	\$8,748,587
Less: Amounts available in debt service fund	458,900	425,454	356,481	774,070	226,982	176,494	115,906	71,227	52,032	378,254
Net total	\$28,463,965	\$27,843,197	\$22,366,594	\$25,784,301	\$18,297,101	\$24,749,471	\$27,540,051	\$30,117,421	\$19,517,372	\$8,370,333
Percentage of estimated actual taxable value of property	1.22%	1.03%	1.07%	1.28%	0.91%	1.24%	1.38%	1.55%	0.95%	0.47%
Per capita	\$ 841	\$ 648	\$ 656	\$ 799	\$ 573	\$ 780	\$ 870	\$ 949	\$ 617	\$ 267

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 for personal income and population data.

City of Walla Walla
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

<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			\$ 37,846,361
Port District	2,770,000	39.6%	1,096,920
School district	3,845,000	74.0%	2,845,300
Subtotal overlapping debt	<u>\$ 6,615,000</u>		<u>\$ 3,942,220</u>
Total direct and overlapping debt			<u><u>\$ 41,788,581</u></u>

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit	\$182,756,794	\$175,304,364	\$163,692,810	\$157,343,463	\$150,568,785	\$150,429,291	\$149,920,743	\$149,228,859	\$145,609,896	\$153,402,999
Total net debt applicable to limit	17,019,507	14,409,436	12,393,400	17,702,343	20,067,763	20,022,302	22,336,140	16,059,413	15,755,381	5,372,488
Legal debt margin	<u>\$165,737,287</u>	<u>\$160,894,928</u>	<u>\$151,299,410</u>	<u>\$139,641,120</u>	<u>\$130,501,022</u>	<u>\$130,406,989</u>	<u>\$127,584,603</u>	<u>\$133,169,446</u>	<u>\$129,854,515</u>	<u>\$148,030,511</u>
Total net debt applicable to the limit as a percentage of debt margin	<u>10.3%</u>	<u>9.0%</u>	<u>8.2%</u>	<u>12.7%</u>	<u>15.4%</u>	<u>15.4%</u>	<u>17.5%</u>	<u>12.1%</u>	<u>12.1%</u>	<u>3.6%</u>
Legal debt margin calculation for fiscal year 2017:										
Total assessed value	\$2,436,757,258									
2.5% general purposes limit is allocated between:	60,918,931									
<i>Up to 1.5% debt without a vote (councilmanic)</i>	36,551,359									
Less: outstanding debt	(11,016,839)									
Less: contracts payable	-									
Less: excess of debt with a vote	-									
Add: available assets	<u>8,921,325</u>									
Equals: remaining debt capacity without a vote		<u>34,455,844</u>								
<i>1% general purpose debt with a vote</i>	24,367,573									
Less: outstanding debt	(15,380,000)									
Less: contracts payable	-									
Add: available assets	<u>456,008</u>									
Equals remaining debt capacity with a vote		<u>9,443,581</u>								
2.5% utility purpose limit, voted	60,918,931									
Less: outstanding debt	-									
Less: contracts payable	-									
Add: available assets	<u>-</u>									
Equals remaining debt capacity- utility purpose, voted		<u>60,918,931</u>								
2.5% utility purpose limit, open space park and capital facilities, voted	60,918,931									
Less: outstanding debt	-									
Less: contracts payable	-									
Add: available assets	<u>-</u>									
Equals remaining debt capacity- park & facilities, voted		<u>60,918,931</u>								
Total legal debt margin		<u>\$165,737,287</u>								

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

**City of Walla Walla
Demographic and Economic Statistics
Last Ten Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
1 Population - City	33,840	33,340	33,390	32,260	31,930	31,740	31,670	31,731	31,610	31,350
1 Population - County	61,400	60,730	60,650	60,150	59,500	59,100	58,800	58,781	59,200	58,600
City as percent of County	55%	55%	55%	54%	54%	54%	54%	54%	53%	53%
2 County personal income (in 1,000s)*	N/A	\$ 2,622,346	\$ 2,528,898	\$ 2,372,702	\$ 2,301,633	\$ 2,269,926	\$ 2,215,788	\$ 2,085,840	\$ 2,038,643	\$ 2,075,518
2 County per capita personal income*	N/A	\$ 43,459	\$ 41,912	\$ 39,648	\$ 38,663	\$ 38,214	\$ 37,231	\$ 35,405	\$ 35,087	\$ 36,212
3 County median family income projection**	N/A	\$ 52,094	\$ 49,619	\$ 50,835	\$ 47,238	\$ 46,147	\$ 44,606	\$ 44,117	\$ 44,267	\$ 44,940
3 County median age	39.01	37.58	37.58	37.33	37.33	38	37.01	36.63	36.27	36.11
4 Percent with high school degree or higher	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85.7%	N/A	N/A
5 School enrollment	5,854	5,959	6,074	6,214	6,119	6,211	6,308	6,159	6,052	6,004
6 County unemployment rate	6.3%	7.1%	7.1%	6.7%	6.9%	7.2%	7.3%	7.4%	6.8%	4.8%

Sources:

- 1 Port of Walla Walla
- 2 Bureau of Economic Analysis
- 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 Employment Security Department Washington State

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

* *In 2017, the Bureau of Economic Analysis revised County personal income figures for 2016.*

** *The Bureau of Economic Analysis has made a preliminary estimate of the Median Household Income for 2015 and a projection for 2016. As of Q1 2018 this information has not been updated.*

**City of Walla Walla
Top Ten Principal Employers
Total Headcount
2015 and Nine Years Prior**

<u>Employer within the City</u>	<u>2015*</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>
Washington State Penitentiary	1,089	1	7.0%	879	2	6.3%
Providence St. Mary Medical Center	961	2	6.2%	861	3	6.1%
Walla Walla School District #140	814	3	5.2%	763	4	5.4%
Walla Walla Community College	614	4	4.0%	1,179	1	8.4%
Whitman College	570	5	3.7%	479	5	3.4%
U.S. Dept. of Veterans Affairs	436	6	2.8%	362	6	2.6%
Key Technology, Inc.	434	7	2.8%			
Walla Walla General Hospital	410	8	2.6%	320	8	2.3%
U.S. Army Corps of Engineers	356	9	2.3%	360	7	2.6%
Walla Walla County	342	10	2.2%	292	10	2.1%
City of Walla Walla				303	9	2.2%

Source: Port of Walla Walla
*2015 is the most current data.

City of Walla Walla
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

FUNCTION	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
General government	38	34	33	34	34	34	35	35	37	38
Public safety										
Police										
Officers	45	44	43	42	41	41	42	42	44	44
Civilians	14	12	13	8	9	9	11	11	11	11
Fire										
Officers	31	31	30	29	29	29	29	30	32	32
Civilians	0	0	0	0	0	0	1	1	2	1
Emergency dispatch	17	15	17	17	17	17	18	17	17	17
Utilities and environment	25	23	22	23	20	22	19	18	29	23
Transportation	13	13	11	12	11	12	14	13	12	12
Economic environment ⁽¹⁾	9	8	6	1	0	0	0	10	12	14
Culture and recreation	23	21	20	18	18	19	20	24	31	32
Total governmental activities	215	201	195	184	179	183	189	201	227	224
Business-type activities:										
Ambulance	18	17	19	18	18	19	20	18	17	22
Golf course	0	0	0	0	0	0	0	0	0	0
Landfill	10	11	12	11	10	9	10	10	10	8
Sanitation	11	11	10	11	10	10	13	13	15	16
Stormwater	6	6	4	4	4	5	5	6	5	5
Wastewater	5	5	2	4	4	4	4	4	4	4
Water	17	19	14	19	18	16	17	16	18	16
Total business-type activities	67	69	61	67	64	63	69	67	69	71
Total primary government	282	270	256	251	243	246	258	268	296	295

Source: City of Walla Walla Finance Department, positions filled as of 12/31/17.

⁽¹⁾ Development Services Department provided data from 2015 to current; data from 2011 through 2014 reflect the city's participation with the Walla Walla Joint Community Development Agency (WWJCDA)

City of Walla Walla
Operating Indicators by Function
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
City Attorney										
Requests for legal service	310	330	286	266	243	163	174	164	181	167
Total Walla Walla District Court hearings	7,275	6,144	4,958	4,760	3,847	4,183	4,476	4,489	5,097	3,673
Development Services*										
Permits processed for building and	1,152	1,235	2,208	1,466	882	867	895	911	1,139	1,386
Construction value of permits completed	\$55,492,129	\$51,250,001	\$47,283,870	\$18,434,410	\$33,589,796	\$21,444,092	\$41,121,658	\$11,188,593	\$31,086,945	\$51,174,853
Library										
Questions answered	48,989	38,664	42,728	47,145	44,989	50,231	45,201	48,825	48,400	57,554
Items checked out	307,259	308,891	302,829	321,512	318,803	351,943	322,811	306,763	305,827	284,061
Children's storytime and program attendance	13,034	14,047	14,716	14,663	14,846	15,591	13,912	9,503	11,613	13,435
Adult program attendance	2,023	1,641	1,420	2,275	1,758	951	250	263	719	668
Parks and Recreation Department										
Meals served during the summer	26,543	26,254	25,044	24,911	26,563	28,718	29,227	19,494	21,447	20,296
Special event permits issued	45	59	46	40	29	41	29	37	44	43
Visits to City pools	78,223	3,057	2,979	3,775	4,620	5,897	5,058	4,762	4,505	3,240
Attendance for City recreation programs	181,941	97,229	96,862	99,622	94,988	106,500	105,000	100,000	100,000	98,000
Burial services at Mountain View Cemetery	177	190	197	179	172	163	174	181	205	204
Picnic area reservations	206	252	226	224	199	188	169	185	161	156
Fire Department										
Fire responses	117	107	115	116	129	88	92	100	138	136
Hazardous incident responses	138	85	91	87	109	73	74	64	82	177
Ambulance responses	5,979	5,718	5,670	5,624	5,268	5,289	5,040	5,182	5,208	5,428
Ambulance transported patients	3,591	3,490	3,493	3,516	3,464	3,285	3,325	3,485	3,509	3,575
Property fire loss	\$1,023,800	\$1,094,940	\$1,399,125	\$928,811	\$769,530	\$267,370	\$732,800	\$486,625	\$459,350	\$1,302,275
Safety Always Matters (SAM) program # students	3,817	3,921	3,785	3,894	3,711	3,929	3,660	3,720	3,811	3,747
Police Department										
Code compliance complaints resolved**	875	1,207	980	260	600	497	285	765	728	938
Requests for service	19,549	19,128	20,911	18,820	20,355	19,701	18,537	19,879	19,320	20,232
Death investigations and attempted suicides	80	N/A	63	78	74	72	64	118	71	86
Other calls	8,969	N/A	10,676	9,891	10,478	10,219	9,273	10,552	9,990	10,388
Accidents	1,044	N/A	903	889	857	901	885	1,013	1,126	1,065
Animal calls	1,689	N/A	2,109	1,913	1,950	2,114	1,968	2,271	2,233	2,506
Volunteer hours	988	N/A	1,142	1,155	2,005	978	1,165	883	933	727
Walla Walla Emergency Services										
Total calls	90,228	N/A	94,622	100,537	101,340	110,965	100,399	92,978	108,775	94,793
9-1-1 calls	23,635	N/A	24,664	25,750	24,320	24,286	23,126	20,420	44,644	46,608

*2015 data reflects the reopened Development Services Department; data from 2011 through 2014 was provided by the Walla Walla Joint Community Development Agency (WWJCDA).

**Code Compliance moved from Development Services to Police Department as of 2015.

N/A - Police department and Walla Walla Emergency Services Communications data were not available in 2016.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Water										
Linear feet of lines replaced	5,345	9,603	6,026	10,166	8,707	5,765	7,476	6,741	4,352	4,860
Linear feet of lines added to system	3,819	5,905	4,077	-	3,124	260	5,301	4,345	2,721	12,718
Million gallons of water to customers	3,105	3,170	3,439	3,474	3,458	3,441	3,367	3,447	3,649	3,744
Meters installed	10,989	304	367	302	268	344	421	501	371	533
Leaks repaired to mains and services	85	72	143	152	176	123	162	232	182	116
Wastewater										
Linear feet of lines replaced	5,827	9,852	11,376	8,068	6,239	4,004	6,149	7,121	1,860	1,778
Linear feet of lines added to system	2,884	6,806	4,493	35	2,172	1,102	1,958	1,820	2,793	9,923
Feet of sanitary sewer lines cleaned	370,003	489,124	470,017	847,165	475,331	618,294	552,358	729,624	369,595	709,526
Stormwater										
Feet of storm lines cleaned	10,667	27,584	27,978	39,554	20,762	18,401	20,599	28,332	17,490	48,069
Streets										
Linear feet of new streets added to subdivisions	1,702	2787	4420	-	1641	252	336	523	642	10,853
Utility street cuts patched	138	157	326	249	337	383	350	239	118	185
Sanitation										
Pounds of curbside recycling collected	3,081,850	3,058,780	3,011,862	2,996,500	2,991,727	3,173,565	3,123,560	3,015,180	1,617,360	1,441,840
Million pounds of waste collected	44	44	43	42	41	41	41	42	42	42
Landfill										
Tons of solid waste collected	57,802	59,249	55,976	53,051	50,099	53,304	48,671	47,219	58,692	67,000
Pounds of hazardous waste collected	93,982	96,374	86,984	84,294	106,915	98,278	101,391	113,644	110,254	104,869
Landfill courtesy passes used	745	761	841	806	925	1,443	1,503	1,452	1,502	1,545
Pounds of metal recycled at the Landfill	42,480	50,760	47,980	54,780	42,220	83,340	98,660	108,000	194,120	144,360
Tons of leaves collected and recycled	2,104	1,764	1,871	1,359	1,324	1,452	1,098	1,514	2,400	2,203
Equipment Repair										
Fleet service repairs performed	3,329	3,334	3,755	3,448	4,529	3,745	3,644	3,843	3,804	3,970
Number of equipment repair parts used	10,827	10,375	10,565	10,444	11,659	10,729	9,495	11,383	14,799	15,711

Sources:
City of Walla Walla City Attorney, Development Services, Library, Parks and Recreation, Fire Dept., PoliceDept., Public Works, Fleet Management and Support Services Departments.

City of Walla Walla
Capital Asset Statistics by Function
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
City Hall	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Police station	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	18	16	15	15	14	12	12	14	14	14
Vans/SWAT vehicles	3	3	6	5	3	3	3	3	3	3
Animal control vehicle	1	1	1	1	1	1	1	1	1	1
Parking control vehicle	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Pumpers	2	2	2	3	3	4	4	4	4	4
Other vehicles	9	9	8	8	8	9	9	9	12	11
Backup generator	1	1	1	1	1	1	1	1	1	1
Burn trailer	1	1	1	1	1	1	1	1	1	1
Utilities and Environment										
Service Center building	1	1	1	1	1	1	1	1	1	1
Transportation										
Square yards of streets	1,734,341	1,710,693	1,671,438	1,633,426	1,560,502	1,554,303	1,553,351	1,552,827	1,542,350	1,539,372
Culture and Recreation										
Library building	1	1	1	1	1	1	1	1	1	1
Carnegie Art Center	1	1	1	1	1	1	1	1	1	1
Parks department										
Museum buildings	1	1	1	1	1	1	1	1	1	1
Complex w/concessions	1	1	1	1	1	1	1	1	1	1
Pool buildings	2	2	2	2	2	2	2	2	2	2
Other parks buildings	28	28	28	28	28	28	28	28	28	28
Parks	14	14	14	14	14	14	14	14	14	14
Sportsplex	1	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1	1	1	1
Mausoleum	2	2	2	2	2	2	2	2	2	2
Ambulance										
Ambulances	5	6	6	6	6	6	6	6	5	5
Other vehicle	1	1	1	1	1	1	1	1	1	1
Defibrillators	9	9	9	9	15	9	9	9	9	9
IV pumps	6	6	6	6	6	6	6	6	6	6
Sanitation										
Refuse collection vehicles	13	13	15	13	13	12	12	12	15	13
Leaf loaders	0	1	1	1	1	2	2	2	2	2
Other vehicles	2	2	2	2	2	3	3	3	2	2
Water/Wastewater										
Miles of water mains	184	183	182	181	182	182	191	190	188	185
Miles of wastewater mains	147	146	144	143	144	144	147	147	143	139
Landfill⁽¹⁾										
Active landfills (available acres)	829	829	829	924	923	923	923	924	970	970
Closed landfills (acres)	117	117	117	117	117	117	117	117	97	97
Composting facility	1	1	1	1	1	1	1	1	1	1
Other Business-type Assets										
Golf course	1	1	1	1	1	1	1	1	1	1

Sources: City infrastructure project, fixed asset recordkeeping system, fleet division, GIS division.

⁽¹⁾Refer to Note 18 "Closure and Postclosure", in the Notes to the Financial Statements for more details.