



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Leavenworth

For the period January 1, 2019 through December 31, 2020

Published December 23, 2021

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

December 23, 2021

Mayor and City Council
City of Leavenworth
Leavenworth, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Leavenworth's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

Olympia, WA

Americans with Disabilities

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	9
Independent Auditor's Report on the Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	62

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Leavenworth January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audits of the City of Leavenworth are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.766	Community Facilities Loans and Grants Cluster – Community Facilities Loans and Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Leavenworth January 1, 2019 through December 31, 2020

Mayor and City Council
City of Leavenworth
Leavenworth, Washington

We have audited, 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, the financial statements of the City of Leavenworth, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 30, 2021.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 10 to the 2019 and 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 10.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, we noted certain matters that we will report to the management of the City in a separate letter dated December 14, 2021.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 30, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Leavenworth January 1, 2020 through December 31, 2020

Mayor and City Council
City of Leavenworth
Leavenworth, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Leavenworth, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

November 30, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Leavenworth January 1, 2019 through December 31, 2020

Mayor and City Council
City of Leavenworth
Leavenworth, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Leavenworth, for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Leavenworth has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Leavenworth, and its changes in cash and investments, for the years ended December 31, 2020 and 2019, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Leavenworth, as of December 31, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis

As discussed in Note 10 to the 2019 and 2020 financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the City is unknown. Management’s plans in response to this matter are also described in Note 10. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedules of Liabilities are also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the 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. The information has been subjected to the auditing procedures applied in the audits of the 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 financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021 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. 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 30, 2021

FINANCIAL SECTION

City of Leavenworth January 1, 2019 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to Financial Statements – 2020
Notes to Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020
Schedule of Liabilities – 2019
Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 Current Expense	101 Streets	102 Transportation Benefit District
Beginning Cash and Investments					
308	Beginning Cash and Investments	11,347,703	3,404,717	876,912	128,205
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	6,219,656	2,473,013	804,526	420,625
320	Licenses and Permits	253,826	253,826	-	-
330	Intergovernmental Revenues	381,148	173,739	138,273	-
340	Charges for Goods and Services	4,990,298	221,179	-	-
350	Fines and Penalties	4,604	1,200	-	-
360	Miscellaneous Revenues	858,574	86,090	8,297	1,724
Total Revenues:		12,708,106	3,209,047	951,096	422,349
Expenditures					
510	General Government	656,597	584,438	-	-
520	Public Safety	747,531	747,531	-	-
530	Utilities	2,648,599	117,495	-	-
540	Transportation	1,153,192	-	675,838	11,295
550	Natural/Economic Environment	2,253,951	448,048	-	-
560	Social Services	11,596	11,596	-	-
570	Culture and Recreation	753,738	726,746	-	-
Total Expenditures:		8,225,204	2,635,854	675,838	11,295
Excess (Deficiency) Revenues over Expenditures:		4,482,902	573,193	275,258	411,054
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	6,383,100	-	-	-
397	Transfers-In	376,883	-	180,939	11,181
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	86,466	81,290	-	-
Total Other Increases in Fund Resources:		6,846,449	81,290	180,939	11,181
Other Decreases in Fund Resources					
594-595	Capital Expenditures	8,337,215	76,323	118,092	-
591-593, 599	Debt Service	997,480	56,160	61,259	-
597	Transfers-Out	376,883	-	-	180,939
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	88,618	15,612	-	-
Total Other Decreases in Fund Resources:		9,800,196	148,095	179,351	180,939
Increase (Decrease) in Cash and Investments:		1,529,155	506,388	276,846	241,296
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,530,618	-	1,153,760	369,502
50841	Committed	529,500	529,500	-	-
50851	Assigned	4,733,363	298,223	-	-
50891	Unassigned	3,083,382	3,083,382	-	-
Total Ending Cash and Investments		12,876,863	3,911,105	1,153,760	369,502

The accompanying notes are an integral part of this statement.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		104 Lodging Tax	107 P.W. Capital Improvement	176 Community Swimming Pool	203 2013 G.O. Bond
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,512,338	802,491	220,131	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,112,024	243,468	166,000	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	15,672	7,958	1,888	-
Total Revenues:		2,127,696	251,426	167,888	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	1,805,903	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	26,992	-
Total Expenditures:		1,805,903	-	26,992	-
Excess (Deficiency) Revenues over Expenditures:		321,793	251,426	140,896	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	184,763
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	184,763
Other Decreases in Fund Resources					
594-595	Capital Expenditures	38,747	-	131,908	-
591-593, 599	Debt Service	134,581	-	805	184,763
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	20,348	-
Total Other Decreases in Fund Resources:		173,328	-	153,061	184,763
Increase (Decrease) in Cash and Investments:		148,465	251,426	(12,165)	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,660,803	1,053,918	207,968	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,660,803	1,053,918	207,968	-

The accompanying notes are an integral part of this statement.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		204 LID Guaranty	205 LID-24	305 Pine Street Capital Project	402 Garbage
Beginning Cash and Investments					
308	Beginning Cash and Investments	84,364	1,518	-	126,685
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	64,136	5,000
340	Charges for Goods and Services	-	-	-	522,933
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	67,367	205	2,143
Total Revenues:		-	67,367	64,341	530,076
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	568,187
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	568,187
Excess (Deficiency) Revenues over Expenditures:		-	67,367	64,341	(38,111)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	53,159	9,081
591-593, 599	Debt Service	-	68,583	-	-
597	Transfers-Out	-	-	11,181	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	68,583	64,340	9,081
Increase (Decrease) in Cash and Investments:		-	(1,216)	1	(47,192)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	84,364	303	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	79,492
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		84,364	303	-	79,492

The accompanying notes are an integral part of this statement.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		403 Water	404 Sewer	410 Stormwater	415 Parking
Beginning Cash and Investments					
308	Beginning Cash and Investments	995,382	2,085,665	47,269	630,391
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	1,705,710	1,678,137	116,645	-
350	Fines and Penalties	1,702	1,702	-	-
360	Miscellaneous Revenues	9,716	17,757	462	634,707
Total Revenues:		1,717,128	1,697,596	117,107	634,707
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	970,906	925,386	66,625	-
540	Transportation	-	-	-	152,605
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		970,906	925,386	66,625	152,605
Excess (Deficiency) Revenues over Expenditures:		746,222	772,210	50,482	482,102
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	6,383,100	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	6,383,100	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	561,710	6,349,378	-	583,887
591-593, 599	Debt Service	330,135	109,719	5,404	-
597	Transfers-Out	-	-	-	184,763
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	52,658
Total Other Decreases in Fund Resources:		891,845	6,459,097	5,404	821,308
Increase (Decrease) in Cash and Investments:		(145,623)	696,213	45,078	(339,206)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	849,757	2,781,877	92,348	291,185
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		849,757	2,781,877	92,348	291,185

The accompanying notes are an integral part of this statement.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		501 Equip Rental & Revolving Fund	502 Central Services
Beginning Cash and Investments			
308	Beginning Cash and Investments	431,635	-
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	652,677	93,017
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	4,588	-
Total Revenues:		657,265	93,017
Expenditures			
510	General Government	-	72,159
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	313,454	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		313,454	72,159
Excess (Deficiency) Revenues over Expenditures:		343,811	20,858
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	5,176	-
Total Other Increases in Fund Resources:		5,176	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	394,072	20,858
591-593, 599	Debt Service	46,071	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		440,143	20,858
Increase (Decrease) in Cash and Investments:		(91,156)	-
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	340,481	-
50891	Unassigned	-	-
Total Ending Cash and Investments		340,481	-

The accompanying notes are an integral part of this statement.

CITY OF LEAVENWORTH

2020 NOTES TO FINANCIAL STATEMENTS

January 1, 2020 through December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leavenworth was incorporated in 1906 and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a Mayor-Council form of Government. The City of Leavenworth is a general-purpose local government and provides the following services: administrative, police (contracted through Chelan County), fire protection (contracted through Fire District #3), library (through the North Central Regional Library District), cemetery, parks and recreation, street/parking maintenance and improvement, and garbage collection. In addition, the City owns and operates its own water, sewer and stormwater systems.

The City of Leavenworth reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting Systems (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (See Note 9 – Related Parties).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

a. Fund Accounting

Financial transactions of the City of Leavenworth are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The City of Leavenworth's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used by the City of Leavenworth:

GOVERNMENTAL FUND TYPES:

Current Expense (General) Fund (001)

This fund is the primary operating fund of the City of Leavenworth. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (100-199)

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Leavenworth.

Debt Service Funds (200-299)

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Fund (300-399)

These funds account for the financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds (500-599)

These funds account for operations that provide goods or services to other departments or funds of the City of Leavenworth on a cost-reimbursement basis.

b. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law, the City of Leavenworth also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Cash and Investments

See Note 3, Deposits and Investments.

d. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Capital assets and inventory are recorded as expenditures when purchased.

e. Compensated Absences

Vacation leave may be accumulated up to 30 days for a prospective retiree (within four years of retirement). Otherwise, up to 15 days for Public Works and Office Staff and 10 days for Returning Seasonal Staff may be carried over from year to year at the employee's request. Non-Union Exempt employees may accumulate up to 40 days for annual carryover. Upon separation or retirement, employees are compensated for accrued and unused vacation time. In 2020, the total vacation payout liability for some employees exceeds the limits noted above, as approved by the Mayor, due to the lack of use from COVID-19 restrictions and impacts. As of December 31, 2020, the total payout liability of all employees for vacation and the floating holiday hours totals \$83,767.78.

Sick leave may accumulate up to 1200 hours. Upon separation or retirement, employees having at a minimum of five years of employment with the City may receive payment of unused leave, up to 240 hours; one exception in 2020 included 250 hours per the City Administrator's Contract. As of December 31, 2020, the total payout liability of eligible employees totals \$98,477.92.

Compensatory leave may accumulate for union employees to a maximum of 40 hours and should not be carried over in any given year without prior authorization by the City Administrator; generally, any accrued comp time is paid out with the final year end check. Upon separation or retirement, employees are compensated for accrued and unused comp time. As of December 31, 2020, the total payout liability of all employees totals \$0.00.

All leave payments are recognized as expenditures when paid.

f. Long-Term Debt

See Note 6, Long-Term Debt.

g. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the City of Leavenworth intends to use the most restricted resources first. Restrictions and commitments of Ending Cash and Investments consist of the following by Fund:

FUND 001 – In 2019, the City Council adopted Ordinance 1603 and Resolution 19-2019 with specific purposes of restricting funds within the Current Expense (General) Fund. Ordinance 1603 restricts \$49,500 for the purpose of surplusing right-of-way at the wastewater treatment plant facility and is identified with the following requirement: The City of Leavenworth shall pay the fair market value of the property established by the appraisal to be held by the City and used by the City only for acquiring additional beach or water access, acquiring additional public view sites to a body of water, or acquiring additional moorage or launching sites. Resolution 19-2019 restricts \$480,000, the final proceeds of the sale of two Golf Course Lots; the resolution contains the following requirements: Upon the sale of all or individually, the Golf Course Properties (9139, 9125, and 9111 Icicle Road), the City of Leavenworth City Council directs the City Finance Director to establish a restricted fund balance within the City's General fund to account for the funds received from the sale of properties. Those funds shall be used for the acquisition of property by the City for additional park land or land for recreational use by the citizens of Leavenworth. The City sold two of the three lots in calendar year 2019; the third lot currently remains for sale. Committed Fund Balance on December 31, 2020 was \$529,500.

FUND 101 – Ordinance No. 1093 passed in 1998 created the purpose of the Street Fund into which moneys shall be placed for the purpose of constructing and maintaining arterial highways and city streets, or for the payment of any municipal indebtedness which may be incurred in the construction, improvement, chip sealing, seal-coating, repair and maintenance of arterial highways and city streets. This fund may also receive dedicated revenues from motor vehicle fuel taxes, real estate excise taxes and Leavenworth Transportation Benefit taxes all of which require reserving these funds for street related capital improvements. Fund Balance on December 31, 2020 was \$1,153,760.

FUND 102 – The Transportation Benefit District Fund that was assumed by the City of Leavenworth in December 2018 by RCW 36.74. Previously these funds were held in a Custodial Fund. These funds are restricted by State Law – RCW 36.73, for transportation related capital improvements. Fund Balance on December 31, 2020 was \$369,502.

FUND 104 – Ordinance No. 1051 passed in 1997 established the Lodging Tax Fund for the City. These funds are generated by revenue from transient lodging tax and used for the construction of tourist facilities or for tourist promotion within the meaning of RCW 35.21.700 and RCW 67.28.1815 and bears on the tourist expansion in the City of Leavenworth or the areas adjacent to the City of Leavenworth which bear upon its economic condition. Fund Balance on December 31, 2020 was \$1,660,803.

FUND 107 – The Public Works Capital Improvement Fund generated by real estate excise taxes as imposed by the state under chapter 82.46 RCW. Fund Balance on December 31, 2020 was \$1,053,918.

FUNDS 204 & 205 – The LID Guaranty Fund & LID 24 Fund, which are debt service funds. Debt service funds are typically restricted due to the nature of these funds being reserved specifically for payment on current and future debt and are not generally classified as restricted; however, due to the issuing bank covenants to create and maintain the LID Guaranty Fund with a specific reserve balance and creation of the LID 24 Fund noting restrictions for debt payments to

the bank, these are being included for transparency purposes. Fund Balances on December 31, 2020 for the LID Guaranty is \$84,364 and the LID 24 is \$303 for a combined total of \$84,667.

TOTAL BALANCE of all restricted and committed funds is \$4,852,150.

NOTE 2: BUDGET COMPLIANCE

The City of Leavenworth adopts biennial appropriated budgets for all funds, which includes the Current Expense (General), Streets, Transportation Benefit District, Lodging Tax, P.W. Capital Improvement, Leavenworth Civic Center, Community Swimming Pool, 2013 G.O. Bond, LID Guaranty, LID 24, Pine Street Capital Project, Garbage, Water, Sewer, Water Bond Reserve, Sewer Bond Reserve, Stormwater, Parking, Equipment Rental & Revolving, Central Services, and Cemetery Endowment. These budgets are appropriated at the fund level including use of ending fund reserved and unreserved balances unless otherwise noted. The budget constitutes the legal authority for expenditures at that level. Any managerial funds are combined with the appropriate fund for reporting purposes only, as required by the BARS manual; these would include the Leavenworth Civic Center (Fund 110) and the Cemetery Endowment Fund (Fund 601) being included within the Current Expense (General) Fund (001); the Water Bond Reserve Fund (405) being included in the Water Fund (403); and the Sewer Bond Reserve Fund (406) being included in the Sewer Fund (404). Interfund activity between managerial funds is eliminated. Biennial appropriations for all funds lapse at the fiscal year end of the second year of the Biennial Budget. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted 2019-2020 combined budgets were as follows as of December 31, 2020:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense (General) Fund	\$11,776,177.00	\$ 5,423,459.65	\$ 6,352,717.35
Leavenworth Civic Center	\$ 383,901.00	\$ 295,813.97	\$ 88,087.03
Cemetery Endowment Fund	\$ 565,937.00	\$ 0.00	\$ 565,937.00
Streets Fund	\$ 4,216,231.00	\$ 2,196,448.55	\$ 2,019,782.45
Transportation Benefit District Fund	\$ 1,196,406.00	\$ 712,245.19	\$ 484,160.81
Lodging Tax Fund	\$ 6,850,493.00	\$ 3,878,181.22	\$ 2,972,311.78
P.W. Capital Improvement Fund	\$ 1,669,593.00	\$ 0.00	\$ 1,669,593.00
Community Swimming Pool Fund	\$ 1,005,850.00	\$ 468,926.76	\$ 536,923.24
2013 GO Bond Fund	\$ 372,676.00	\$ 372,676.00	\$ 0.00
LID Guaranty	\$ 168,728.00	\$ 0.00	\$ 168,728.00
LID-24	\$ 156,242.00	\$ 137,152.75	\$ 19,089.25
Pine Street Capital Project	\$ 2,413,086.00	\$ 2,356,988.27	\$ 56,097.73
Garbage Fund	\$ 1,537,290.00	\$ 1,249,216.58	\$ 288,073.42
Water Fund	\$ 5,788,659.00	\$ 3,345,268.70	\$ 2,443,390.30
Water Bond Reserve Fund	\$ 264,048.00	\$ 0.00	\$ 264,048.00
Sewer Fund	\$ 16,142,869.00	\$ 9,365,966.99	\$ 6,776,902.01

Sewer Bond Reserve Fund	\$ 264,048.00	\$ 0.00	\$ 264,048.00
Stormwater Fund	\$ 324,657.00	\$ 184,661.51	\$ 139,995.49
Parking Fund	\$ 2,559,606.00	\$ 1,770,742.26	\$ 788,863.74
Equip Rental & Revolving Loan Fund	\$ 2,202,048.00	\$ 1,406,106.58	\$ 795,941.42
Central Services	\$ 216,883.00	\$ 195,482.56	\$ 21,400.44
TOTAL	\$60,075,428.00	\$33,359,337.54	\$26,716,090.46

The department head in conjunction with the Finance Director is authorized to transfer budgeted amounts between fund/object classes within any department within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Leavenworth's legislative body.

NOTE 3: DEPOSITS AND INVESTMENTS

Investments are reported at amortized cost meaning interest earnings are recorded when earned. Deposits and investments by type at December 31, 2020 are as follows:

Type of Deposit or Investment	Leavenworth's own deposits and investments	Deposits and investments held by Leavenworth as an agent for other local governments, individual or private organizations.	Total
Bank Deposits	-\$501,356.61	\$0.00	-\$501,356.61
L.G.I.P.	\$133,090.74	\$0.00	\$133,090.74
Cashmere Valley Bank MM	\$13,245,128.36	\$0.00	\$13,245,128.36
Totals	\$12,876,862.49	\$0.00	\$12,876,862.49

It is the City of Leavenworth's policy to invest all temporary cash surpluses. The interest on investments is prorated to the various funds based on the monthly ending cash balance in each fund from the previous month. All monthly service fees in the City's Checking Account are first offset by interest credits and then remaining proceeds, if provided by the issuing bank, are prorated monthly based on the monthly ending cash balance in each fund from the previous month. Interest gains on all interfund loans are posted to the fund issuing the interfund loan as required by resolutions. Interest gains for the Water Bond Reserve Fund are recorded in the Water Fund, gains for the Sewer Bond Reserve Fund are recorded in the Sewer Fund, gains for the Central Services Fund are recorded in the General Fund, and gains for the LID Guaranty are recorded in the LID 24 Fund. Bank deposits noted above illustrate a negative balance due to the need to provide an investment adjustment and transfer from the Cashmere Valley Bank Money Market (MM) Account to the Cashmere Valley Bank Checking Account that was not needed on December 31, 2020 due to checks that were issued later in compliance with accounts payables occurring through the January 20, 2021 check process; actual cash on hand within the Cashmere Valley Bank Checking Account was \$1,424,760.04 on 12/31/2020.

Investments in the State Local Government Investment Pool (LGIP)

The City of Leavenworth is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Leavenworth would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Leavenworth's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City of Leavenworth or its agent in the City's name.

NOTE 4: PROPERTY TAX

The Chelan County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are generally distributed at the end of each month while mid-month distributions occur in April, May, October and November when taxes are due.

Property tax revenues are recognized when cash is received by the City of Leavenworth. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Leavenworth's regular levy for 2020 was \$1.1115419435 per \$1,000 on an assessed valuation of \$556,854,803 for a total regular levy of \$618,967.47

NOTE 5: INTERFUND LOANS

The following table identified below displays interfund loan activity during 2020; payments and balances include principle only. Interest is charged for short-term loans at the current rate of the LGIP or as defined by resolution and is typically paid back at the time of the principal payment; in the case of a multi-year interfund loan, interest is typically paid by December 31 of each year.

In 2019 the City Council authorized one short-term (3 years or less) interfund loan of \$61,045 via Resolution 4-2019 from the Current Expense (General) Fund to the Pool Fund for a capital improvement resurface project for the Pool. Payments are set at \$20,348.33 per year for 2020 and 2021 with the final payment of \$20,348.34 due in 2022.

Borrowing Fund	Lending Fund	Balance 1/1/2020	New Loans	Repayments	Balance 12/31/2020
Pool	Current Expense	\$61,045	\$0	\$20,348	\$40,697
TOTALS		\$61,045	\$0	\$20,348	\$40,697

NOTE 6: LONG-TERM DEBT

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Leavenworth and summarizes the City's debt transactions for year ended December 31, 2020. The debt service requirements for general obligation bonds, revenue bonds, special assessment bonds, and public works loans from the Departments of Ecology and Commerce are as follows:

Year	Principle	Interest	Total Debt
2021	7,080,101	188,434	7,268,535
2022	689,470	156,460	845,930
2023	692,235	140,264	832,499
2024	581,520	124,591	706,112
2025	588,059	110,113	698,172
2026-2030	2,024,336	340,889	2,365,225
2031-2035	1,036,466	71,147	1,107,613
2036-2040	99,167	744	99,910
TOTALS	\$12,791,354	\$1,132,642	\$13,923,996

Unused Lines of Credit

The City of Leavenworth has an interim construction loan with Cashmere Valley Bank for the USDA Rural Development Federal Loan related to the Wastewater Treatment Plant Up. At fiscal year end, the City had \$4,286,899.76 available in unused lines of credit on a total allowable non-revolving line of credit of \$10,670,000. This line of credit is scheduled to be

completed and paid through the transfer to the USDA Rural Development Loan by no later than December 31, 2022.

NOTE 7: PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Leavenworth full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement System (PERS) plans 1, 2, and 3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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

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

At June 30, 2020, the City of Leavenworth's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	\$87,822	0.012118%	\$427,831
PERS 2/3	\$144,545	0.015690%	\$200,666

NOTE 8: RISK MANAGEMENT

The City of Leavenworth 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 162 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 \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits. In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services. WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall. An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

Risk Pool Financial Statements are available for WCIA via the following link:
<http://www.wciapool.org/communications/annual-reports>.

NOTE 9: RELATED PARTIES

The Mayor, City Council, City Administrator and Finance Director/City Clerk are all positions considered for transactions with related parties. Included as a separate attachment to this report is a detailed sheet identifying each of the elected and appointed officials of the City of Leavenworth and the spouses of each person, if applicable, regarding employer information and whether any funds were expended or anticipated from these individuals during the financial statement period. No funds were directly expended to any of the individuals listed, with exception to payroll and travel or office supply related reimbursements. Some funds may be expended with their employers for services rendered; however, these would be minor in nature and not material related.

NOTE 10: COVID-19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These

measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

In the initial months of March through June 2020 the City of Leavenworth City Council took action to acknowledge the potential impacts to major losses in retail and lodging taxes as well as impacts to parking revenues; all of which are directly driven by tourism for the Bavarian Town. The Finance Director attended many local and national webinars to gather information on how best to approach expectations for losses, particularly in tourism driven communities, and in turn provided the City Council with budget reductions for the revenues in April 2020. Due to a two-month lag in revenues from the Department of Revenue, the City had to hold off these extra two months to realize what the impacts would truly be. The initial major impacts started to occur in March for the revenues and ended by June for retail taxes and July for lodging taxes and parking. The initial losses were significant, in comparing them to 2019 revenues, retail was ranging from 56% to 77%, lodging came in around 50% on average with a mere 3% in April alone, and parking was around 60%. Although revenues were quite low, the City took actions to reduce expenditures and responded swiftly to cut costs, close facilities that were not needed, and to create work from home access for all administrative staff. In addition, the Finance Director and City Council felt confident they could weather the pandemic as the City had strong fund balance reserves that had been built over the past decade from lessons learned in the prior Great Recession of 2008-2010.

Initial predictions made by the Finance Director anticipated a yearly loss of revenues to be 22% for retail, 44% for lodging, and 15% for parking. However, by the end of the third quarter of 2020 the City had rebounded and was once again seeing record revenues similar to the first quarter; much of the increase in tourism is assumed to be from Washingtonians vacationing close to home and the City's action to close down its main Front Street as a walking plaza for safe social distancing requirements during the pandemic. By year end, the City had experienced a total reduction of 3.75% in retail taxes, 12% in lodging taxes, and 5.78% in parking revenues. 2021 figures are continuing strong with increases over 2019 and 2020 figures year to date.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City of Leavenworth is unknown at this time. However, as of October 31, 2021, figures are exceeding 2020 by 31.37% in retail, 40.31% in lodging, and 44.45% in parking; these percentages are anticipated to remain fairly stable for the remainder of the year.

NOTE 11: OTHER DISCLOSURES

Extraordinary & Subsequent Events

See Note 10 regarding the COVID-19 Pandemic, no other extraordinary or subsequent events occurred.

Significant Commitments or Obligations

Construction Commitments: The City of Leavenworth has active construction projects as of December 31, 2020. Below is the list of major projects, minor capital related projects of less

than \$35,000, not including tax, are not included. At year-end the City's commitments with contractors are as follows:

Project #	Project	Spent to Date	Remaining Commitment	Financing Needed
1.	Downtown and DOT Parking	\$1,063,064	\$70,000	No – see comments
2.	WWTP / Shop Upgrades	\$7,736,238	\$11,991,363	Yes – see comments
3.	Water Meters	\$234,640	\$415,360	Yes – see comments
4.	Fish Screen/Boulder Project	\$240,778	\$410,000	No – see comments
5.	Osborn Elementary	\$622,216	TBD	TBD
6.	Front Street Restrooms/ Downtown Master Plan	\$36,393	TBD	Yes – see comments
7.	14 th Street Overlay	\$9,124	\$531,976	Yes – see comments
8.	WTP Basement Improvements / Future Improvements	\$82,304	\$308,098	Yes – see comments
9.	Pine Street Phase II	\$0	\$125,000	Yes – see comments

The major projects include the following information and, if applicable, committed balances needing funding are identified below:

- Project 1:** The City has been continuing ongoing project improvements related to parking over the past several years; in 2019 the City completed the purchase of land known as the DOT Parking Lot for a total of \$479,176 from parking cash reserves. In 2019, the City furthered discussion of Downtown Meters and further improvements for the DOT Lot. In 2020 the City entered into an agreement to purchase meters to be installed throughout the City's parking lots and downtown surface streets; the current commitment remaining is \$70,000 for retainage on the purchase, installation, and training. Due to the change in direction for the DOT Lot, funding for surfacing that lot has been postponed and will be looked at further in 2021 contingent upon available funding. All funding for these projects comes from Parking revenues.
- Project 2:** The Wastewater Treatment Plant (WWTP) / Shop upgrades also known as the TMDL (Total Maximum Daily Load) improvements for reducing phosphorus discharges into the river was required by the Department of Ecology for implementation by 2020. The City has been expending funds on this project since 2016. At this time, the City is working on the project in phases with full engineering/design work being completed by Varela & Associates; costs through 2019 utilized cash reserves that were not previously intended to be used for reimbursement of the USDA Grant noted below; however, a decision was made in 2020 to include engineering costs for reimbursement from 2018 forward and those costs have been incorporated as utilized funds for 2020 in reporting on the Schedule of Expenditures Federal Awards (SEFA Schedule 16). In 2017, the City acquired approval of funding through the USDA Rural Development Program for \$10,670,000 in loan funding and \$3,270,000 in grant funding to complete the WWTP upgrades and assist in the City Shop and other vicinity building improvements; as of 2019, no funds had been acquired/spent. In 2020, the City requested an increase from the USDA for a total project cost of \$19,506,000 which includes \$12,146,000 in loan

funding, \$7,237,000 in grant funding and a city match requirement of \$123,000. Prior to the City getting underway with construction, the City found the need to add an emergency upgrade to the Pista Grit Removal System that was failing; this added an additional cost of \$221,601 to the capital related improvements and is being paid for out of the City's Wastewater Fund cash reserves bringing the grand total cost to \$19,727,601. As of December 31, 2020, the City has incurred \$7,183,040 in federal loan expenditures for reimbursement and anticipates project completion prior to December 31, 2022.

- **Project 3:** The Water Meter Project has been under review for several years and was awarded and got underway in 2020; the project entails replacing all existing meters with AMI Smart Meters and repeater towers. Due to an early snow season in 2020 this project was postponed to continue in the spring of 2021. The current cost estimates are approximately \$650,000. The City secured funding from two grant sources that includes \$300,000 from a Federal WaterSMART Grant and \$487,500 from the Icicle Work Group through a State funded Department of Ecology Grant. As of December 31, 2020 project costs identified for reimbursement includes \$114,703 from the federal grant, \$116,737 from the state grant, and \$3,200 from city expenses. This project is anticipated to be completed by September 30, 2021.
- **Project 4:** The Fish Screen/Boulder Project has been under discussion for several years with the Icicle Work Group and is being completed by Trout Unlimited. As part of the agreement to fund the City's Water Meter Project noted above, the City agreed to participate in the Icicle Work Group's Project with a project commitment of \$240,000. The City's portion of this project was completed in 2020 and was paid for out of the City's Water Fund cash reserves. In 2020, as the project was getting underway, the City was approached by Trout Unlimited to assist in being a fiscal agent for a \$410,000 Department of Ecology State grant. As the City was a major stakeholder in the completion of this multimillion-dollar project, they entered into the agreement with the grantor to assist Trout Unlimited. As of December 31, 2020 the City, in conjunction with Trout Unlimited's contractor, had incurred \$373,558 of the \$410,000 state grant but had not yet received reimbursement from Ecology; revenues were subsequently received in April 2021. This project is anticipated to be completed by June 30, 2021.
- **Project 5:** Osborn Elementary – In June of 2020 the City began discussions of the purchase of this School District property that included a reimbursement of \$100,000 to the City for the past removal of a Skatepark; this agreement has been ongoing since late 2015 and included a right of first refusal to purchase the property. The City finalized negotiations of the purchase in March of 2021 for a total purchase price of \$622,216. At this time the City is underway with a visioning process with the Community to determine the future use of this property. Future costs are unknown at this time and will be identified in future years as the project develops.
- **Project 6:** Front Street Restrooms / Downtown Master Plan – The City has a master plan that was designed in 2009 to implement improvements through phased projects. Over the past decade the City has completed several of the phases and continues to work on future phases. Between 2015 and 2020 the City's Downtown Steering Committee discussed

and reviewed a future Royal Lady Plaza on Front Street, expansion of the Front Street restrooms, and a redesign of the Front Street park that is adjacent to the restrooms. Throughout these years, many reiterations of the project developed and were eventually postponed in 2020 due to COVID-19. Due to cost constraints for the plaza and park restructure, as well as the need to move forward with an expansion of the Front Street restrooms, the City entered into a design phase to expand the restrooms and consider some minor modifications to the Front Street park footprint. As of December 31, 2020 engineering costs for this phase totaled \$36,393 and has been equally funded through the City's General and Lodging Tax Funds. In developing the 2021 budget, the City incorporated \$800,000 for the potential construction of the restroom expansion; funding is currently identified to be \$400,000 from Lodging Taxes, \$200,000 from Water and \$200,000 from Sewer Funds. Funding will be reassessed once estimated construction costs are completed by the engineers and construction is anticipated to begin. In addition to this design phase that is underway, the Downtown Steering Committee is exploring options and the feasibility of a full project to incorporate all remaining phases in one single project; therefore, future costs of this project are yet to be determined.

- **Project 7:** The 14th Street Overlay Project was awarded funding from the Transportation Improvement Board (TIB) in late 2019. In July 2020, the City awarded this project to TD&H Engineering to begin the design and construction engineering. The construction for this project was anticipated to occur in 2021; however, this may be postponed until 2022 to ensure strong bid responses. This total project consists of \$514,100, of which \$488,300 is TIB funding and \$25,800 will be city matching funds from the City's Transportation Benefit District funds. As of December 31, 2020 \$9,124 of the \$39,192 contract has been incurred with engineering/design; remaining project dollars will be allocated to construction. The contract with TIB allows for project completion by December 31, 2022.
- **Project 8:** Water Treatment Plant (WTP) Basement Improvements / Future Improvements – The City completed a Water System Plan in 2017-2018 and identified the need to consider significant improvements for the WTP. The City also identified the need to consider major improvements for mainlines that are anticipated to be a contributor to significant water losses occurring. The Water Meter Project noted above was one element of the potential water loss that was identified to be the first step towards reducing the water losses. In 2018 the City entered into a contract to assess the Water Plant and mainline improvements to determine the best course of action. While the Water Meter Project was being developed in 2019 for implementation in 2020, the City completed the initial assessment Plant and began review of the total projects for improvements. Several alternatives were provided to the City Council with varying cost estimates ranging from \$1M for immediate necessary improvements to an average of \$7.5M to upgrade the Treatment Plant. Mainline improvements were identified at a cost of \$3.25M for a total project of \$10.75M. In 2019, the City presented the project to the Infrastructure Assistance Coordinating Council (IACC) to explore funding opportunities; several funders in attendance could provide some portions of funding; however, the USDA Rural Development identified the potential to fund the full project with potential loans and grants. At this time, the City has been working on necessary, yet temporary,

improvements for the Water Treatment Plant while the total project is further developed and funding is secured with anticipation to proceed with major improvements starting in 2025 through 2028. As of December 31, 2020, costs incurred for the temporary improvements total \$82,304 with a balance of \$308,098 for 2021 to complete further analysis and temporary plant improvements.

- **Project 9:** The Pine Street Phase II Project is a future project that the City has acquired grant funding from the Chelan-Douglas Transportation Council (CDTC) that will be administered through the Washington State Department of Transportation (WSDOT). This project is a continuation of the Pine Street Phase I Project that was completed between 2015 and 2020. The Phase II funding is for preliminary review of the project area to determine the feasibility of future design from Titus and Pine Street to the entrance on the Chumstick Highway directly adjacent to Highway 2. Total funding of \$125,000 consists of \$105,000 from the Federal Surface Transportation Block Grant (STBG) funds and \$20,000 as city match. This project funding was awarded in August 2019 and is anticipated to be underway in 2021.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 Current Expense	101 Streets	102 Transportation Benefit District
Beginning Cash and Investments					
30810	Reserved	2,968,093	-	200,359	205,501
30880	Unreserved	6,626,696	2,534,126	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	6,490,538	2,465,667	835,911	436,872
320	Licenses and Permits	333,108	333,108	-	-
330	Intergovernmental Revenues	2,117,294	66,863	986,142	-
340	Charges for Goods and Services	5,518,377	326,959	-	-
350	Fines and Penalties	13,260	1,450	-	-
360	Miscellaneous Revenues	1,038,758	121,091	16,350	5,843
Total Revenues:		15,511,335	3,315,138	1,838,403	442,715
Expenditures					
510	General Government	595,245	497,362	-	-
520	Public Safety	723,381	723,381	-	-
530	Utilities	2,731,511	105,927	-	-
540	Transportation	1,134,996	-	656,937	-
550	Natural and Economic Environment	1,982,181	410,300	-	-
560	Social Services	2,602	2,602	-	-
570	Culture and Recreation	1,017,374	815,857	-	-
Total Expenditures:		8,187,290	2,555,429	656,937	-
Excess (Deficiency) Revenues over Expenditures:		7,324,045	759,709	1,181,466	442,715
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	989,412	-	179,411	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	15,964	9,978	-	-
381, 382, 395, 398	Other Resources	570,146	480,805	-	-
Total Other Increases in Fund Resources:		1,575,522	490,783	179,411	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,944,278	188,462	622,783	-
591-593, 599	Debt Service	1,078,453	54,646	61,544	-
597	Transfers-Out	989,412	61,045	-	520,011
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	71,545	12,781	-	-
581, 582	Other Uses	62,966	62,966	-	-
Total Other Decreases in Fund Resources:		7,146,654	379,900	684,327	520,011
Increase (Decrease) in Cash and Investments:		1,752,913	870,592	676,550	(77,296)
Ending Cash and Investments					
5081000	Reserved	4,214,459	529,500	876,912	128,205
5088000	Unreserved	7,133,243	2,875,216	-	-
Total Ending Cash and Investments		11,347,702	3,404,716	876,912	128,205

The accompanying notes are an integral part of this statement.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		104 Lodging Tax	107 P.W. Capital Improvement	176 Community Swimming Pool	203 2013 G.O. Bond
Beginning Cash and Investments					
30810	Reserved	978,654	595,102	68,284	-
30880	Unreserved	-	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	2,399,922	190,866	161,300	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	94,104	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	32,711	16,521	2,185	-
Total Revenues:		2,432,633	207,387	257,589	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	1,571,881	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	201,517	-
Total Expenditures:		1,571,881	-	201,517	-
Excess (Deficiency) Revenues over Expenditures:		860,752	207,387	56,072	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	122,090	187,913
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	61,045	-
Total Other Increases in Fund Resources:		-	-	183,135	187,913
Other Decreases in Fund Resources					
594-595	Capital Expenditures	128,594	-	87,359	-
591-593, 599	Debt Service	137,431	-	-	187,913
597	Transfers-Out	61,045	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		327,070	-	87,359	187,913
Increase (Decrease) in Cash and Investments:		533,682	207,387	151,848	-
Ending Cash and Investments					
5081000	Reserved	1,512,338	802,491	220,131	-
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		1,512,338	802,491	220,131	-

The accompanying notes are an integral part of this statement.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		204 LID Guaranty	205 LID-24	305 Pine Street Capital Project	402 Garbage
Beginning Cash and Investments					
30810	Reserved	84,364	1,188	716,641	-
30880	Unreserved	-	-	-	183,286
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,062,864	-
340	Charges for Goods and Services	-	-	-	611,445
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	68,900	13,145	3,902
Total Revenues:		-	68,900	1,076,009	615,347
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	648,280
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	648,280
Excess (Deficiency) Revenues over Expenditures:		-	68,900	1,076,009	(32,933)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	499,998	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	499,998	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	2,292,647	23,669
591-593, 599	Debt Service	-	68,570	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	68,570	2,292,647	23,669
Increase (Decrease) in Cash and Investments:		-	330	(716,640)	(56,602)
Ending Cash and Investments					
5081000	Reserved	84,364	1,518	-	-
5088000	Unreserved	-	-	-	126,685
Total Ending Cash and Investments		84,364	1,518	-	126,685

The accompanying notes are an integral part of this statement.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		403 Water	404 Sewer	410 Stormwater	415 Parking
Beginning Cash and Investments					
30810	Reserved	-	118,000	-	-
30880	Unreserved	659,734	2,035,655	53,033	753,565
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,425	-	-	-
340	Charges for Goods and Services	1,786,921	1,854,545	105,793	-
350	Fines and Penalties	5,905	5,905	-	-
360	Miscellaneous Revenues	18,800	53,043	1,076	673,654
Total Revenues:		1,813,051	1,913,493	106,869	673,654
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	963,424	946,677	67,203	-
540	Transportation	-	-	-	132,257
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		963,424	946,677	67,203	132,257
Excess (Deficiency) Revenues over Expenditures:		849,627	966,816	39,666	541,397
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	5,114	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		5,114	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	84,264	858,148	-	423,371
591-593, 599	Debt Service	333,428	154,058	5,429	-
597	Transfers-Out	96,798	22,600	40,000	187,913
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	4,602	-	-	53,290
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		519,092	1,034,806	45,429	664,574
Increase (Decrease) in Cash and Investments:		335,649	(67,990)	(5,763)	(123,177)
Ending Cash and Investments					
5081000	Reserved	-	59,000	-	-
5088000	Unreserved	995,382	2,026,665	47,269	630,391
Total Ending Cash and Investments		995,382	2,085,665	47,269	630,391

The accompanying notes are an integral part of this statement.

City of Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		501 Equip Rental & Revolving Fund	502 Central Services
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	407,297	-
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	636,144	102,466
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	11,537	-
Total Revenues:		647,681	102,466
Expenditures			
510	General Government	-	97,883
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	345,802	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		345,802	97,883
Excess (Deficiency) Revenues over Expenditures:		301,879	4,583
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	872	-
381, 382, 395, 398	Other Resources	28,296	-
Total Other Increases in Fund Resources:		29,168	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	230,400	4,581
591-593, 599	Debt Service	75,434	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	872	-
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:		306,706	4,581
Increase (Decrease) in Cash and Investments:		24,341	2
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	431,635	-
Total Ending Cash and Investments		431,635	-

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF LEAVENWORTH

January 1, 2019 through December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leavenworth was incorporated in 1906 and operates under the laws of the State of Washington applicable to a Non Charter Code City with a Mayor-Council form of Government. The City of Leavenworth is a general purpose local government and provides the following services: administrative, police (contracted through Chelan County), fire protection (contracted through Fire District #3), library (through the North Central Regional Library District), cemetery, parks and recreation, street/parking maintenance and improvement, and garbage collection. In addition, the City owns and operates its own water, sewer and stormwater systems.

The City of Leavenworth reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting Systems (BARS)* Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

a. Fund Accounting

Financial transactions of the City of Leavenworth are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The City of Leavenworth's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used by the City of Leavenworth:

GOVERNMENTAL FUND TYPES:

Current Expense (General) Fund (001)

This fund is the primary operating fund of the City of Leavenworth. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (100-199)

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Leavenworth.

Debt Service Funds (200-299)

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Fund (300-399)

These funds account for the financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds (500-599)

These funds account for operations that provide goods or services to other departments or funds of the City of Leavenworth on a cost-reimbursement basis.

b. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law, the City of Leavenworth also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Cash and Investments

See Note 3, Deposits and Investments.

d. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. The capital assets of the City of Leavenworth are recorded as expenditures when purchased.

e. Compensated Absences

Vacation leave may be accumulated up to 30 days for a prospective retiree (within four years of retirement). Otherwise, up to 15 days for Public Works and Office Staff and 10 days for Returning Seasonal Staff may be carried over from year to year at the employee's request. Non-Union Exempt employees may accumulate up to 40 days for annual carryover. Upon separation or retirement, employees are compensated for accrued and unused vacation time. In 2019, the total vacation payout liability for all employees includes 16 hours of Floating Holiday that one employee could not use during 2019 due to a staffing shortage. Floating Holiday hours typically are a "use it or lose it" benefit if not utilized by December 31st; however, the City Administrator has authority and provided permission to roll over these Floating Holiday hours into 2020, which created a liability for the City. As of December 31, 2019, the total payout liability of all employees for vacation and the floating holiday hours totals \$69,695.78.

Sick leave may accumulate up to 1200 hours. Upon separation or retirement, employees having at a minimum of five years of employment with the City may receive payment of unused leave, up to 240 hours; one exception in 2019 included 250 hours per the City Administrator's Contract. As of December 31, 2019, the total payout liability of eligible employees totals \$108,487.08.

Compensatory leave may accumulate for union employees to a maximum of 40 hours and should not be carried over in any given year without prior authorization by the City Administrator; generally any accrued comp time is paid out with the final year end check. Upon separation or retirement, employees are compensated for accrued and unused comp time. As of December 31, 2019, the total payout liability of all employees totals \$0.00.

All leave payments are recognized as expenditures when paid.

f. Long-Term Debt

See Note 6, Debt Service Requirements.

g. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the City of Leavenworth intends to use reserved resources first before using unreserved amounts. The City of Leavenworth has the following reserve funds:

FUND 001 – In 2019, the City Council adopted Ordinance 1603 and Resolution 19-2019 with specific purposes of restricting funds within the Current Expense (General) Fund. Ordinance 1603 restricts \$49,500 for the purpose of surplusing right-of-way at the wastewater treatment plant facility and is identified with the following requirement: The City of Leavenworth shall pay the fair market value of the property established by the appraisal to be held by the City and used by the City only for acquiring additional beach or water access, acquiring additional public view sites to a body of water, or acquiring additional moorage or launching sites. Resolution 19-2019 restricts \$480,000, the final proceeds of the sale of two Golf Course Lots; the resolution contains the following requirements: Upon the sale of all or individually, the Golf Course Properties (9139, 9125, and 9111 Icicle Road), the City of Leavenworth City Council directs the City Finance Director to establish a restricted fund balance within the City's General fund to account for the funds received from the sale of properties. Those funds shall be used for the acquisition of property by the City for additional park land or land for recreational use by the citizens of Leavenworth. The City sold two of the three lots in calendar year 2019; the third lot currently remains for sale. Reserve Fund Balance on December 31, 2019 was \$529,500.

FUND 101 Ordinance No. 1093 passed in 1998 created the purpose of the Street Fund into which moneys shall be placed for the purpose of constructing and maintaining arterial highways and city streets, or for the payment of any municipal indebtedness which may be incurred in the construction, improvement, chip sealing, seal-coating, repair and maintenance of arterial highways and city streets. This fund may also receive dedicated revenues from motor vehicle fuel taxes, real estate excise taxes and Leavenworth Transportation Benefit taxes all of which require reserving these funds for street related capital improvements. Fund Balance on December 31, 2019 was \$876,912.

FUND 102 is the Transportation Benefit District Fund that was assumed by the City of Leavenworth in December 2018 by RCW 36.74. Previously these funds were held in a Custodial Fund. These funds are restricted by State Law – RCW 36.73, for transportation related capital improvements. Fund Balance on December 31, 2019 was \$128,205.

FUND 104 Ordinance No. 1051 passed in 1997 established the Lodging Tax Fund for the City. These funds are generated by revenue from transient lodging tax and used for the construction of tourist facilities or for tourist promotion within the meaning of RCW 35.21.700 and RCW 67.28.1815 and bears on the tourist expansion in the City of Leavenworth or the areas adjacent to the City of Leavenworth which bear upon its economic condition. Fund Balance on December 31, 2019 was \$1,512,338.

FUND 107 is the Public Works Capital Improvement Fund generated by real estate excise taxes as imposed by the state under chapter 82.46 RCW. Fund Balance on December 31, 2019 was \$802,491.

FUND 176 is the Community Swimming Pool Fund that the City operates by interlocal agreement in conjunction with the Upper Valley Park & Recreation Service Area (UVPRSA). Annual resolutions are adopted by the UVPRSA to collect property tax dollars that are committed by voter approval to the operations and maintenance of the pool. All other revenues

of the pool would be dedicated to the pool fund per the interlocal agreement between the City and the UVPRSA. Fund Balance on December 31, 2019 was \$220,131.

FUNDS 204 & 205 are the LID Guaranty Fund & LID 24 Fund, which are debt service funds. Debt service funds are typically restricted due to the nature of these funds being reserved specifically for payment on current and future debt and are not generally classified as restricted; however, due to the issuing bank covenants to create and maintain the LID Guaranty Fund with a specific reserve balance and creation of the LID 24 Fund noting restrictions for debt payments to the bank, these are being included for transparency purposes. Fund Balances on December 31, 2019 for the LID Guaranty is \$84,364 and the LID 24 is \$1,518 for a combined total of \$85,882.

FUND 305 is a Capital Projects Fund specifically for the Pine Street Capital Project that was created by the City Council of which revenues are 100% required to be dedicated to the design and construction of the Pine Street Project. This fund will receive State and Federal restricted dollars, additional developer donations and/or dollars from Real Estate Excise Taxes and Leavenworth Transportation Benefit District dollars, all of which will be restricted to the completion of the street improvements. Once this project is completed it will be closed out; closeout is anticipated to occur in 2020. Fund Balance on December 31, 2019 was \$0.00.

FUND 404 (Includes rolled funds from FUND 406 Sewer Bond Reserve) Sewer Fund includes a reserve amount on a Department of Ecology Loan that was issued in 2000 and stated a bond covenant requirement to reserve one year of annual payments which equates to \$118,000; this requirement will reduce to \$59,000 at year end for 2019 and will end when the bonds are paid in full in 2020. Reserve Fund Balance on December 31, 2019 was \$59,000.

TOTAL BALANCE of all reserved funds is \$4,214,459.

NOTE 2: BUDGET COMPLIANCE

The City of Leavenworth adopts biennial appropriated budgets for all funds, which includes the Current Expense (General), Streets, Transportation Benefit District, Lodging Tax, P.W. Capital Improvement, Leavenworth Civic Center, Community Swimming Pool, 2013 G.O. Bond, LID Guaranty, LID 24, Pine Street Capital Project, Garbage, Water, Sewer, Water Bond Reserve, Sewer Bond Reserve, Stormwater, Parking, Equipment Rental & Revolving, Central Services, and Cemetery Endowment. These budgets are appropriated at the fund level including use of ending fund reserved and unreserved balances unless otherwise noted. The budget constitutes the legal authority for expenditures at that level. Any managerial funds are combined with the appropriate fund for reporting purposes only, as required by the BARS manual; these would include the Leavenworth Civic Center (Fund 110) and the Cemetery Endowment Fund (Fund 601) being included within the Current Expense (General) Fund (001); the Water Bond Reserve Fund (405) being included in the Water Fund (403); and the Sewer Bond Reserve Fund (406) being included in the Sewer Fund (404). Interfund activity between managerial funds is eliminated. Biennial appropriations for all funds lapse at the fiscal year end of the second year of the Biennial Budget.

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted 2019-2020 combined budgets were as follows as of December 31, 2019:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense (General) Fund	\$10,923,609.00	\$ 2,762,143.26	\$ 8,161,465.74
Leavenworth Civic Center	\$ 454,792.00	\$ 173,185.22	\$ 281,606.78
Cemetery Endowment Fund	\$ 548,943.00	\$ 0.00	\$ 548,943.00
Streets Fund	\$ 3,765,332.00	\$ 1,341,261.58	\$ 2,424,070.42
Transportation Benefit District Fund	\$ 1,698,308.00	\$ 520,011.19	\$ 1,178,296.81
Lodging Tax Fund	\$ 6,185,135.00	\$ 1,898,950.44	\$ 4,286,184.56
P.W. Capital Improvement Fund	\$ 1,076,823.00	\$ 0.00	\$ 1,076,823.00
Community Swimming Pool Fund	\$ 836,708.00	\$ 288,875.42	\$ 547,832.58
2013 GO Bond Fund	\$ 372,676.00	\$ 187,913.00	\$ 184,763.00
LID Guaranty	\$ 168,728.00	\$ 0.00	\$ 168,728.00
LID-24	\$ 159,486.00	\$ 68,570.75	\$ 90,915.25
Pine Street Capital Project	\$ 2,458,086.00	\$ 2,292,647.94	\$ 165,438.06
Garbage Fund	\$ 1,834,481.00	\$ 671,947.87	\$ 1,162,533.13
Water Fund	\$ 5,081,605.00	\$ 1,482,516.41	\$ 3,599,088.59
Water Bond Reserve Fund	\$ 264,048.00	\$ 0.00	\$ 264,048.00
Sewer Fund	\$ 7,619,459.00	\$ 1,981,483.13	\$ 5,637,975.87
Sewer Bond Reserve Fund	\$ 264,048.00	\$ 0.00	\$ 264,048.00
Stormwater Fund	\$ 362,937.00	\$ 112,633.34	\$ 250,303.66
Parking Fund	\$ 2,240,699.00	\$ 796,829.99	\$ 1,443,869.01
Equip Rental & Revolving Loan Fund	\$ 2,320,705.00	\$ 652,510.92	\$ 1,668,194.08
Central Services	\$ 216,883.00	\$ 102,465.56	\$ 114,417.44
TOTAL	\$48,853,491.00	\$15,333,946.02	\$33,519,544.98

The department head in conjunction with the Finance Director is authorized to transfer budgeted amounts between fund/object classes within any department within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Leavenworth's legislative body.

NOTE 3: DEPOSITS AND INVESTMENTS

Investments are reported at amortized cost meaning interest earnings are recorded when earned. Deposits and investments by type at December 31, 2019 are as follows:

Type of Deposit or Investment	Leavenworth's own deposits and investments	Deposits and investments held by Leavenworth as an agent for other local governments, individual or private organizations.	Total
Bank Deposits	\$53,982	0.00	\$53,982
L.G.I.P.	\$132,247	0.00	\$132,247
Cashmere Valley Bank MM	\$9,078,158	0.00	\$9,078,158
U.S. Government Securities	\$2,083,313	0.00	\$2,083,313
Totals	\$11,347,700	0	\$11,347,700

It is the City of Leavenworth's policy to invest all temporary cash surpluses. The interest on investments is prorated to the various funds based on the monthly ending cash balance in each fund from the previous month. All monthly service fees in the City's Checking Account are first offset by interest credits and then remaining proceeds, if provided by the issuing bank, are prorated monthly based on the monthly ending cash balance in each fund from the previous month. Interest gains on all interfund loans are posted to the fund issuing the interfund loan as required by resolutions. Interest gains for the Water Bond Reserve Fund are recorded in the Water Fund, gains for the Sewer Bond Reserve Fund are recorded in the Sewer Fund, gains for the Central Services Fund are recorded in the General Fund, and gains for the LID Guaranty are recorded in the LID 24 Fund.

Investments in the State Local Government Investment Pool (LGIP)

The City of Leavenworth is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Leavenworth would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Leavenworth's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City of Leavenworth or its agent in the City's name.

NOTE 4: PROPERTY TAX

The Chelan County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are generally distributed at the end of each month while mid-month distributions occur in April, May, October and November when taxes are due.

Property tax revenues are recognized when cash is received by the City of Leavenworth. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Leavenworth's regular levy for 2019 was \$1.1662451335 per \$1,000 on an assessed valuation of \$490,266,706 for a total regular levy of \$571,771.16.

NOTE 5: INTERFUND LOANS

The following table identified below displays interfund loan activity during 2019; payments and balances include principle only. Interest is charged for short-term loans at the current rate of the LGIP or as defined by resolution and is typically paid back at the time of the principle payment; in the case of a multi-year interfund loan, interest is typically paid by December 31 of each year.

In 2019 the City Council authorized one short-term (3 years or less) interfund loan of \$61,045 via Resolution 4-2019 from the Current Expense (General) Fund to the Pool Fund for a capital improvement resurface project for the Pool. Payments are set at \$20,348.33 per year for 2020 and 2021 with the final payment of \$20,348.34 due in 2022.

Borrowing Fund	Lending Fund	Balance 1/1/2019	New Loans	Repayments	Balance 12/31/2019
Pool	Current Expense	\$ 0	\$61,045	\$0	\$61,045
TOTAL		\$ 0	\$61,045	\$0	\$61,045

NOTE 6: DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Leavenworth and summarizes the City's debt transactions for year ended December 31, 2019. The debt service requirements for general obligation bonds, revenue bonds, special assessment bonds, and public works loans from the Departments of Ecology and Commerce are as follows:

Year	Principle	Interest	Total Debt
2020	812,370	185,612	997,982
2021	697,001	170,526	867,527

2022	689,470	156,460	845,930
2023	692,235	140,264	832,499
2024	581,520	124,591	706,111
2025-2029	2,309,027	407,132	2,716,159
2030-2034	1,286,731	114,859	1,401,590
2035-2039	148,750	1,488	150,238
TOTALS	7,217,104	1,300,932	8,518,036

NOTE 7: PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Leavenworth full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement System (PERS) plans 1, 2, and 3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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

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

At June 30, 2019, the City of Leavenworth's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.012427%	\$477,862
PERS 2/3	0.016054%	\$155,939

NOTE 8: RISK MANAGEMENT

The City of Leavenworth 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 163 members. New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership. Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually. 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.

Risk Pool Financial Statements are available for WCIA at <http://www.wciapool.org/communications/annual-reports>.

NOTE 9: RELATED PARTIES

The Mayor, City Council, City Administrator and Finance Director/City Clerk are all positions considered for transactions with related parties. Included as a separate attachment to this report is a detailed sheet identifying each of the elected and appointed officials of the City of Leavenworth and the spouses of each person, if applicable, regarding employer information and whether any funds were expended or anticipated from these individuals during the financial statement period. No funds were directly expended to any of the individuals listed, with exception to payroll and travel or office supply related reimbursements. Some funds may be

expended with their employers for services rendered; however, these would be minor in nature and not material related.

NOTE 10: OTHER DISCLOSURES

Extraordinary & Subsequent Events

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. As of the completion of this report the City is aware that there will be impacts to the City's Parking Fund revenue, Retails Sales Taxes and Lodging Taxes; a conservative estimate of losses is estimated to be in the range of \$500,000 to \$750,000. Due to the length of time these measures may be in place, it is unknown what the full extent of the financial impact on the City of Leavenworth will be; however, the City is functioning with strong reserves in the General Fund and Lodging Tax Fund that may have a minor effect on the overall budget for 2020.

Significant Commitments or Obligations

Residential Garbage Contract: The City of Leavenworth finalized an agreement with Waste Management to take over residential garbage collections on October 23, 2018 with an effective transition date of February 1, 2019. Since the City will continue to collect/dispose of commercial related garbage, the City did not transfer any of the garbage trucks currently owned by the City. This transition affected the 2019 Budget year due to an estimated decrease of approximately 25% of revenues; similarly, a reduction of expenses of approximately 25% were incorporated with wages and benefits being recalculated across other funds for affected employees.

Construction Commitments: The City of Leavenworth has active construction projects as of December 31, 2019. Below is the list of major projects, minor capital related projects of less than \$35,000, not including tax, are not included. At year-end the City's commitments with contractors are as follows:

Project #	Project	Spent To Date	Remaining Commitment	Financing Needed
1.	Downtown and DOT Parking	\$479,176	\$600,000	No – see comments
2.	LED Streetlight Conversion	\$79,693	\$3,860	No – see comments
3.	WWTP / Shop Upgrades	\$1,404,666	\$18,322,935	Yes – see comments
4.	Hwy 2 & Gustav Crosswalks	\$615,000	\$25,000	No – see comments
5.	Pine Street	\$2,594,790	\$15,000	No – see comments
6.	Pool Resurface / Surge Tank	\$87,359	\$114,007	Yes – see comments
7.	Water Meters	\$0	\$650,000	Yes – see comments
8.	Fish Screen/Boulder Project	\$0	\$240,000	No – see comments

The major projects include the following information and, if applicable, committed balances needing funding are identified below:

- Project 1: The City has been continuing ongoing project improvements related to parking over the past several years; in 2019 the City completed the purchase of land known as the DOT Parking Lot for a total of \$479,176 from parking cash reserves. In 2019, the City furthered discussion of Downtown Meters and further improvements for the DOT Lot. Subsequently, the City has entered into an agreement to purchase meters to be installed throughout the City's parking lots and downtown surface streets; the current commitment is \$600,000 for the purchase, a majority of the installation, and training. The City has an additional \$200,000 earmarked in the Lodging Tax Fund to assist with this improvement project. Due to the change in direction for the DOT Lot, funding for surfacing that lot has been postponed.
- Project 2: The LED Street Light Conversion is a fully funded grant from the Transportation Improvement Board that was awarded in early 2018; this project was completed in the Leavenworth area in 2018; however, the City is awaiting final retainage billing that will occur in 2020.
- Project 3: The Wastewater Treatment Plant (WWTP) / Shop upgrades also known as the TMDL (Total Maximum Daily Load) improvements for reducing phosphorus discharges into the river is required by the Department of Ecology for implementation by 2020. The City has been expending funds on this project since about 2016. At this time, the City is working on the project in phases with full engineering/design work being completed by Varela & Associates; costs through 2019 have utilized cash reserves. In 2017, the City acquired approval of funding through the USDA Rural Development Program for \$10,670,000 in loan funding and \$3,270,000 in grant funding to complete the WWTP upgrades and assist in the City Shop and other vicinity building improvements; as of 2019, no funds have been acquired/spent. In 2020, the City requested an increase from the USDA for a total project cost of \$19,506,000 which includes \$12,146,000 in loan funding, \$7,237,000 in grant funding and a city match requirement of \$123,000. Prior to the City getting underway with construction, the City found the need to add an emergency upgrade to the Pista Grit Removal System that was failing; this added an additional cost of \$221,601 to the capital related improvements and is being paid for out of the City's Wastewater Fund cash reserves.
- Project 4: The Highway 2 and Gustav's Crosswalks started in 2016 and includes grants that the City has been awarded State funding from the Department of Transportation (DOT); total State award for both crosswalks is \$503,500; City match costs that are being funded by the Leavenworth Transportation Benefit District are estimated at \$136,500 for a total project cost of \$640,000. Construction was completed in 2019 with the City awaiting final closure and retainage release occurring in 2020.
- Project 5: The Pine Street Project initially began in 2013 with preliminary studies and design engineering that was paid for out of City Street funds through 2016. Beginning in May 2016 the City created a new Pine Street Capital Project Fund to receipt in the project

specific revenues for offsetting eligible expenditures. At that time, the City received \$200,000 from project developers and the City was awarded a grant for \$705,600 from the Chelan Douglas Transportation Council that was disbursed through the DOT for engineering and construction expenses. In addition, the City was awarded \$250,000 in February 2017 from the Transportation Improvement Board (TIB), of which revenues were deposited with the City in March 2017; these funds are specific for use of a multi-use pathway, sidewalks, crosswalks and ADA transition compliance that occurred in 2019. In November of 2017 the City was awarded an additional \$550,000 from the TIB for the construction of Pine Street. This final commitment concluded the grant funding needed for the City to match approximately \$904,190 for a total estimated project cost of \$2,609,790. The City match costs are coming from Leavenworth Transportation Benefit District Funds and City Street Funds. The project is currently awaiting closeout and final construction related administration costs.

- Project 6: The Pool Resurface / Surge Tank Project was awarded in early 2019, this project is a total of \$201,366 that is being paid from 3 sources. The General Fund and Lodging Tax Fund are both paying \$61,045 of the project cost with the remaining coming from the Pool Fund via cash reserves and a 3-year interfund loan from the General Fund for \$61,045. This project will be split with the surge tank repair occurring in the spring of 2019 and the resurface portion occurring in the spring of 2020.
- Project 7: The Water Meter Project has been under review for several years and is planned to get underway in 2020; the project entails replacing all existing meters with AMI Smart Meters and repeater towers. The original budget estimate was set at \$1,000,000; however, current cost estimates are approximately \$650,000. The City has secured funding from two grant sources that includes \$300,000 from a Federal WaterSMART Grant and \$487,500 from the Icicle Work Group through a State funded Department of Ecology Grant.
- Project 8: The Fish Screen/Boulder Project has been under discussion for several years with the Icicle Work Group and is being completed by Trout Unlimited. As part of the agreement to fund the City's Water Meter Project noted above, the City agreed to participate in the Icicle Work Group's Project with a project commitment of \$240,000. This is anticipated to be completed in 2020 and will come out of the City's Water Fund cash reserves.
- Two other significant projects are anticipated in 2020; however, it is undetermined what the final costs will be or when they will be implemented. The two projects are summarized as follows:
 - Water Plant Improvements – The City has approximately \$450,000 allocated in the 2020 Budget to address long needed improvements at the Water Plant Facility. At this time specific improvements are being analyzed through a Water Plant Assessment. Improvements will range from temporary fixes of up to \$450,000 to long-term improvements that could be several million dollars.

- Osborn Elementary – The City has a right of first refusal to purchase a portion of the Cascade School District's Osborn Elementary School. The City has an agreement to either make an offer for the property or regain \$100,000 for the removal of the City's Skate Park that was demolished by the School District to expand the High School. The City built a new Skate Park and determined the value from the School District to be \$100,000. In June of 2020 the City will begin discussions of the purchase and will have until September 30, 2020 to finalize a purchase agreement with the District.

**City of Leavenworth
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.96	General Obligation Non-Voted 11/16/2011	12/1/2021	39,514	-	19,370	20,144
251.11	General Obligation Non-Voted 11/22/2011	12/1/2026	365,000	-	50,000	315,000
263.96	General Obligation Non-Voted 3/19/2013	6/1/2023	90,356	-	20,924	69,432
251.22	General Obligation Voted 9/5/2013	12/1/2028	950,000	-	90,000	860,000
251.11	General Obligation Non-Voted 9/5/2013	12/1/2028	85,000	-	5,000	80,000
251.11	General Obligation Non-Voted 9/5/2013	12/1/2033	1,900,000	-	105,000	1,795,000
263.96	General Obligation Non-Voted 3/24/2015	6/1/2020	19,596	-	19,596	-
263.96	General Obligation Non-Voted 3/24/2015	6/1/2020	35,200	-	35,200	-
263.96	General Obligation Non-Voted 3/24/2015	6/1/2020	12,100	-	12,100	-
263.96	General Obligation Non-Voted 3/24/2015	6/1/2020	7,700	-	7,700	-
Total General Obligation Debt/Liabilities:			3,504,466	-	364,890	3,139,576
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	Proprietary - DOE Loan 3/1/2000	3/31/2020	59,000	-	59,000	-
263.84	Proprietary - DWSRF Loan 10/27/2004	10/1/2023	319,378	-	79,845	239,533
263.84	Proprietary - DWSRF Loan 10/21/2008	10/1/2025	522,800	-	87,133	435,667
263.88	Proprietary - PWTF Loan 1/24/2007	7/1/2025	165,969	-	27,662	138,307
263.88	Governmental - PWTF Loan 7/3/2009	7/1/2029	186,552	-	19,737	166,815
263.88	Proprietary - PWTF Loan 7/3/2009	7/1/2029	104,092	-	9,868	94,224
263.88	Proprietary - PWTF Loan 7/3/2009	7/1/2029	104,092	-	9,868	94,224
263.88	Governmental - PWTF Loan 2/15/2013	6/1/2037	679,979	-	37,188	642,791
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	92,672	-	5,454	87,218
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	30,599	-	1,983	28,616
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	89,250	-	4,958	84,292
263.88	Proprietary - PWTF Loan 8/21/2013	6/1/2032	464,092	-	35,699	428,393
263.84	Proprietary - DOE SRF Loan 7/31/2016	12/1/2021	90,307	-	22,172	68,135
263.62	Proprietary - Note Payable WWTP 11/6/2019	12/1/2022	-	6,383,100	-	6,383,100

**City of Leavenworth
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
264.30	Pension Liability		633,801	-	5,304	628,497
259.12	Compensated Absences		178,183	4,063	-	182,246
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,720,766	6,387,163	405,871	9,702,058
Assessment Debt/Liabilities (with commitments)						
253.11	Special Assessment - LID 24 08/08/2018	5/1/2033	803,855	-	43,394	760,461
Total Assessment Debt/Liabilities (with commitments):			803,855	-	43,394	760,461
Total Liabilities:			8,029,087	6,387,163	814,155	13,602,095

**City of Leavenworth
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.96	General Obligation Non-Voted 11/17/2009	12/1/2019	28,692	-	28,692	-
263.96	General Obligation Non-Voted 11/16/2011	12/1/2021	58,139	-	18,625	39,514
251.11	General Obligation Non-Voted 11/22/2011	12/1/2026	415,000	-	50,000	365,000
263.96	General Obligation Non-Voted 3/19/2013	6/1/2023	110,259	-	19,903	90,356
251.22	General Obligation Voted 9/5/2013	12/1/2028	1,040,000	-	90,000	950,000
251.11	General Obligation Non-Voted 9/5/2013	12/1/2028	90,000	-	5,000	85,000
251.11	General Obligation Non-Voted 9/5/2013	12/1/2033	2,005,000	-	105,000	1,900,000
263.96	General Obligation Non-Voted 3/24/2015	6/1/2020	38,236	-	18,640	19,596
263.96	General Obligation Non-Voted 3/24/2015	6/1/2020	67,200	-	32,000	35,200
263.96	General Obligation Non-Voted 3/24/2015	6/1/2020	23,100	-	11,000	12,100
263.96	General Obligation Non-Voted 3/24/2015	6/1/2020	14,700	-	7,000	7,700
Total General Obligation Debt/Liabilities:			3,890,326	-	385,860	3,504,466
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	Proprietary - DOE Loan 3/1/2000	3/31/2020	177,000	-	118,000	59,000
263.84	Proprietary - DWSRF Loan 10/27/2004	10/1/2023	399,223	-	79,845	319,378
263.84	Proprietary - DWSRF Loan 10/21/2008	10/1/2025	609,933	-	87,133	522,800
263.88	Proprietary - PWTF Loan 1/24/2007	7/1/2025	193,631	-	27,662	165,969
263.88	Governmental - PWTF Loan 7/3/2009	7/1/2029	206,289	-	19,737	186,552
263.88	Proprietary - PWTF Loan 7/3/2009	7/1/2029	113,961	-	9,868	104,093
263.88	Proprietary - PWTF Loan 7/3/2009	7/1/2029	113,961	-	9,868	104,093
263.88	Governmental - PWTF Loan 2/15/2013	6/1/2037	717,166	-	37,188	679,978
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	98,126	-	5,454	92,672
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	32,582	-	1,983	30,599
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	94,208	-	4,958	89,250
263.88	Proprietary - PWTF Loan 8/21/2013	6/1/2032	499,791	-	35,699	464,092
263.84	Proprietary - DOE SRF Loan 7/31/2016	12/1/2021	100,218	-	9,911	90,307

**City of Leavenworth
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
264.30	Pension Liability		834,175	-	200,374	633,801
259.12	Compensated Absences		177,278	905	-	178,183
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,367,542	905	647,680	3,720,767
Assessment Debt/Liabilities (with commitments)						
253.11	Special Assessment - LID 24 08/08/2018	5/1/2033	843,641	-	39,786	803,855
Total Assessment Debt/Liabilities (with commitments):			843,641	-	39,786	803,855
Total Liabilities:			9,101,509	905	1,073,326	8,029,088

City of Leavenworth
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Community Facilities Loans and Grants Cluster								
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Community Facilities Loans and Grants	10.766	014769314	-	7,183,040	7,183,040	-	1, 3, 4
Total Community Facilities Loans and Grants Cluster:				-	7,183,040	7,183,040	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	WaterSMART (Sustain and Manage America?s Resources for Tomorrow)	15.507	R20AP00071	-	114,703	114,703	-	1, 4
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Department of Commerce)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-226	91,800	-	91,800	-	1, 4
Total Federal Awards Expended:				91,800	7,297,743	7,389,543	-	

The accompanying notes are an integral part of this schedule.

CITY OF LEAVENWORTH

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Leavenworth's financial statements. The City of Leavenworth uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

The City of Leavenworth has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – FEDERAL LOANS

The City of Leavenworth was approved by the USDA Rural Utilities Service to receive a loan totaling \$12,146,000 to build a sewer treatment plant. Interim loan financing was received for the construction period. The amount listed for this loan includes the beginning of the period loan balance plus proceeds used during the year. The balance owing at the end of the period is \$6,383,100.24.

Both the current and prior year loans are reported on the City of Leavenworth's schedule of Liabilities.

NOTE 4 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Leavenworth's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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