



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of East Wenatchee

For the period January 1, 2021 through December 31, 2021

Published December 22, 2022

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

December 22, 2022

Mayor and City Council
City of East Wenatchee
East Wenatchee, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of East Wenatchee'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,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of East Wenatchee January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audits of the City of East Wenatchee 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 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 a finding that is 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>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

See Finding 2021-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of East Wenatchee January 1, 2021 through December 31, 2021

2021-001 The City did not have adequate controls for ensuring compliance with federal procurement requirements.

CFDA Number and Title:	20.205 Highway Planning and Construction
Federal Grantor Name:	Federal Highway Administration, U.S. Department of Transportation
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Transportation
Pass-through Award/Contract Number:	SRTS 5906(001)/STPUS-TAP 5919(001)/5924(001)/ SRTS 9909(004)
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2021, the City spent \$2,633,934 in Highway Planning and Construction program funds. The program's objective is to provide funds for the planning, design, construction, and rehabilitation of highways and bridge transportation systems.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal regulations also require recipients to establish and follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR § 200.318-327. The procedures must reflect the most restrictive of applicable federal requirements, state laws or local policies. When using federal funds to procure goods and services, governments must apply the more restrictive requirements by obtaining quotes or

following a competitive procurement process, depending on the estimated cost of the procurement activity.

Our audit found the City's internal controls were ineffective for ensuring compliance with federal procurement requirements. Specifically, the City did not establish its own written procurement procedures, as federal regulations require.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

This issue was not reported as a finding in the prior audit.

Cause of Condition

Management and staff said they were not aware the City was required to have and use its own written procurement procedures.

Effect of Condition

Although the City did not establish its own written policy before procuring, it did comply with federal requirements for soliciting and awarding public works contracts. However, without written policies and procedures, the City is at greater risk of noncompliance with the most restrictive of federal, state, or local procurement methods and requirements when using federal funds to procure contractors.

Recommendation

We recommend the City establish written procurement procedures that conform to federal procurement requirements.

City's Response

The City began working on a procurement policy over a year ago. The policy was never fully completed and formalized due to a staffing transition in the Public Works Department around the same time the COVID pandemic shifted a lot of the focus to other priorities.

While the City did not have an internal policy, the City strictly follows the procurement policies outlined by the federal and/or state funding agencies partnered on our projects. Outside of the specific funding agency guidelines, the City follows the Washington State Department of Transportation Local Agency Guidelines. The City is not recognized in WSDOT's Certification Acceptance

program, meaning all FHWA funded project development and construction administration activities must have WSDOT Local Program oversight. This stewardship ensures all money spent follows FHWA standards.

The City is finalizing a procurement policy and anticipate adoption by the end of Q1, 2023.

Auditor's Remarks

We appreciate the City's commitment to resolving the issue noted, and will follow up during the next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Section 318, General procurement standards, establishes requirements for written procedures.

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 East Wenatchee January 1, 2021 through December 31, 2021

Mayor and City Council
City of East Wenatchee
East Wenatchee, 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 East Wenatchee, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 22, 2022.

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.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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 22, 2022

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 East Wenatchee January 1, 2021 through December 31, 2021

Mayor and City Council
City of East Wenatchee
East Wenatchee, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of East Wenatchee, with the types of compliance requirements identified as subject to audit 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, 2021. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures also disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2021-001 to be a material weakness.

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.

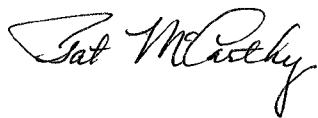
City's Response to Findings

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Pat McCarthy, State Auditor

Olympia, WA

November 22, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of East Wenatchee January 1, 2021 through December 31, 2021

Mayor and City Council
City of East Wenatchee
East Wenatchee, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of East Wenatchee, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of East Wenatchee, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

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 East Wenatchee, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. 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 Schedule of Liabilities is 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 audit 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 22, 2022 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's 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, reading "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 22, 2022

FINANCIAL SECTION

City of East Wenatchee January 1, 2021 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to the Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021

City of East Wenatchee
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	102 Community Development Grants Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	8,859,037	3,315,998	248,197	40,324
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	9,754,100	7,268,911	970,000	-
320	Licenses and Permits	295,316	278,456	16,860	-
330	Intergovernmental Revenues	6,602,612	2,013,131	281,688	125,707
340	Charges for Goods and Services	686,495	121,438	4,000	-
350	Fines and Penalties	172,331	172,035	-	-
360	Miscellaneous Revenues	122,945	111,817	1,031	54
Total Revenues:		17,633,799	9,965,788	1,273,579	125,761
Expenditures					
510	General Government	2,342,080	2,296,462	-	45,618
520	Public Safety	4,459,620	4,393,977	-	-
530	Utilities	647,757	82,776	82,215	-
540	Transportation	1,229,792	140,111	1,005,956	-
550	Natural/Economic Environment	1,176,344	782,508	-	1,784
560	Social Services	5,138	5,138	-	-
570	Culture and Recreation	2,835	-	-	-
Total Expenditures:		9,863,566	7,700,972	1,088,171	47,402
Excess (Deficiency) Revenues over Expenditures:		7,770,233	2,264,816	185,408	78,359
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	4,241,694	-	-	-
397	Transfers-In	3,057,772	500,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	26,105	18,716	-	-
Total Other Increases in Fund Resources:		7,325,571	518,716	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	10,638,278	126,245	-	-
591-593, 599	Debt Service	210,495	-	-	-
597	Transfers-Out	3,057,772	1,050,825	168,591	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	2,762	800	-	-
Total Other Decreases in Fund Resources:		13,909,307	1,177,870	168,591	-
Increase (Decrease) in Cash and Investments:		1,186,497	1,605,662	16,817	78,359
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	2,442,076	-	-	118,683
50841	Committed	-	-	-	-
50851	Assigned	2,689,351	7,550	265,014	-
50891	Unassigned	4,914,110	4,914,110	-	-
Total Ending Cash and Investments		10,045,537	4,921,660	265,014	118,683

City of East Wenatchee
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		103 Affordable Housing Sales Tax Fund	104 Housing & Related Services Fund	105 Transportation Benefit District	112 Library Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	13,495	-	433,897	14,744
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	41,979	199,647	263,175	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	7,500
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	18	-	581	20
Total Revenues:		41,997	199,647	263,756	7,520
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	21,825	-
550	Natural/Economic Environment	-	189,647	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	2,835
Total Expenditures:		-	189,647	21,825	2,835
Excess (Deficiency) Revenues over Expenditures:		41,997	10,000	241,931	4,685
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	-	-	5,429	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	163,464	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	168,893	-
Increase (Decrease) in Cash and Investments:		41,997	10,000	73,038	4,685
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	55,492	10,000	506,935	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	19,429
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		55,492	10,000	506,935	19,429

City of East Wenatchee
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		113 Hotel/Motel Tax Fund	114 Drug Fund	116 Criminal Justice Fund	117 Events Board Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	162,734	1,538	2,871	18,768
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	355,974	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	20,714	-
340	Charges for Goods and Services	-	-	-	2,608
350	Fines and Penalties	-	296	-	-
360	Miscellaneous Revenues	218	2	4	2,025
Total Revenues:		356,192	298	20,718	4,633
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	80,744	-	-	121,661
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		80,744	-	-	121,661
Excess (Deficiency) Revenues over Expenditures:		275,448	298	20,718	(117,028)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	120,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	120,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	120,000	-	20,000	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		120,000	-	20,000	-
Increase (Decrease) in Cash and Investments:		155,448	298	718	2,972
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	318,182	1,836	3,589	21,740
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		318,182	1,836	3,589	21,740

City of East Wenatchee
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		202 Bond Redemption Fund	301 Street Improvements Fund	314 Capital Improvements Fund	401 Stormwater Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	775,827	262,409	1,362,383	2,166,741
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	654,414	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	4,096,000	-	65,372
340	Charges for Goods and Services	-	-	-	550,949
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,039	447	1,827	3,810
Total Revenues:		1,039	4,096,447	656,241	620,131
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	9,289
530	Utilities	-	-	-	482,766
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	492,055
Excess (Deficiency) Revenues over Expenditures:		1,039	4,096,447	656,241	128,076
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	241,694	4,000,000	-
397	Transfers-In	-	1,641,464	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	2,314
Total Other Increases in Fund Resources:		-	1,883,158	4,000,000	2,314
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	5,564,037	4,363,005	173,714
591-593, 599	Debt Service	210,495	-	-	-
597	Transfers-Out	-	500,000	250,000	784,892
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	1,962
Total Other Decreases in Fund Resources:		210,495	6,064,037	4,613,005	960,568
Increase (Decrease) in Cash and Investments:		(209,456)	(84,432)	43,236	(830,178)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	1,405,619	-
50841	Committed	-	-	-	-
50851	Assigned	566,371	177,978	-	1,336,564
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		566,371	177,978	1,405,619	1,336,564

City of East Wenatchee
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		501 Equipment Purchase, Repair &
		<hr/>
Beginning Cash and Investments		
308	Beginning Cash and Investments	39,111
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	52
Total Revenues:		<hr/> 52
Expenditures		
510	General Government	-
520	Public Safety	56,354
530	Utilities	-
540	Transportation	61,900
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<hr/> 118,254
Excess (Deficiency) Revenues over Expenditures:		<hr/> (118,202)
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	796,308
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	5,075
Total Other Increases in Fund Resources:		<hr/> 801,383
Other Decreases in Fund Resources		
594-595	Capital Expenditures	405,848
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<hr/> 405,848
Increase (Decrease) in Cash and Investments:		<hr/> 277,333
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	316,445
50891	Unassigned	-
Total Ending Cash and Investments		<hr/> 316,445

The accompanying notes are an integral part of this statement.

City of East Wenatchee
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	11,007	11,007
388 & 588	Net Adjustments	-	-
310-390	Additions	182,727	182,727
510-590	Deductions	184,101	184,101
	Net Increase (Decrease) in Cash and Investments:	(1,374)	(1,374)
508	Ending Cash and Investments	9,632	9,632

The accompanying notes are an integral part of this statement.

City of East Wenatchee
Notes to the Financial Statements
January 1, 2021, through December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The City of East Wenatchee was incorporated on March 11, 1935 and operates under the laws of the state of Washington applicable to a code city with a mayor-council form of government. The City of East Wenatchee is a general-purpose local government and provides public safety, street maintenance, community development, general administrative services, court services and prosecutorial services.

The City of East Wenatchee reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government 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 government'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:

Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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 Funds

These funds account for 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

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

Internal Service Funds

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

Fiduciary Fund Types:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

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 East Wenatchee 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 4, Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

The City has four employee groups that accumulate vacation, sick leave and/or personal leave benefits, including employees in non-union administration, employees in the Washington State Council of County & City Employees, AFSCME, AFL-CIO, Local 846-W (“Local 846”), employees in two union groups covered by Teamsters Local Union No. 760 (“Teamsters”), and one individual under contract who does not receive benefits beyond earned compensation.

Compensated absences in each group are as follows:

Administration employees may accumulate vacation leave up to 240 hours and any accrued but unused vacation is paid at termination. During the calendar year, balances may exceed the 240-hour cap, however only 240 hours may be carried forward to January 1st. Sick leave may accumulate to 960 hours and is only payable at 25% of the value of the accrued but unused balance into a (HRA) VEBA Savings Account in the name of the employee upon a layoff for financial reasons, retirement or at the discretion of the Mayor. During the calendar year, balances may exceed the 960-hour cap, however only 960 hours may be carried forward to January 1st.

Local 846 employees may accumulate vacation leave up to 240 hours, which is payable upon separation or retirement up to the cap. 240 vacation hours may be carried forward to January 1st of each year. Sick leave may accumulate to 960 hours and may be cashed out at the rate of 25% with the payout deposited into a VEBA account in the name of the employee. Upon completion of five years employment, sick leave is payable upon separation for reasons other than cause in the form of payment into a VEBA account at the rate of 25% of the accrued but unused balance up to the 960-hour maximum accrual. If the employee is separated due to death, the City will make the payment to the employee’s estate upon appropriate notice.

Teamsters’ employees may accumulate vacation leave up to 240 hours, which is payable upon termination of employment up to the cap. 240 vacation hours may be carried forward to January 1st of each year. Sick leave may accumulate to exceed the 960-hour cap, but only 960 hours may be carried forward to January 1st of each year and is only payable at 25% of the accrued but unused balance upon a layoff for financial reasons, retirement or at the discretion of the Mayor. Compensatory hours and holiday compensatory hours may be accrued by these employees in lieu of overtime pay. 90 holiday compensatory leave hours and 120 compensatory leave hours may be carried forward to January 1st of each year.

Another individual under contract does not receive vacation or sick leave benefits.

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 East Wenatchee intends to use the most restricted resources first. Restrictions and commitments of Ending Cash and Investments consist of:

- \$118,683 restricted based on federal Community Development Block Grant purposes (Fund 102);
- \$55,492 restricted for affordable housing (Fund 103) per RCW 82.14.540;
- \$10,000 restricted for housing & related services (Fund 104) per RCW 82.14.530;
- \$506,935 restricted for transportation benefit district (TBD) vehicle license fees per RCW 82.80.140;
- \$318,182 restricted hotel/motel tax funds (Fund 113) per RCW Chapter 67.28;
- \$1,836 restricted for support of drug abuse related programs (Fund 114);
- \$3,589 restricted criminal justice sales tax funds (Fund 116) per RCW 82.14.340;
- \$21,740 restricted to fund various events organized and sponsored by the City (Fund 117);
- \$1,405,619 restricted for grant funded street projects, and limitations imposed by RCW's 82.46.010 and 82.46.035 (Fund 314) related to real estate excise tax;
- \$132 restricted to the custodial activities associated with this fund (Fund 634); and
- \$9,500 restricted to the custodial activities associated with this fund (Fund 635).

Note 2 – Budget Compliance

A. Budgets

The City of East Wenatchee adopts annual appropriated budgets for all its governmental and proprietary funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The 2021 appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated	Actual Expenditures	Variance
General	\$ 9,305,697	\$8,878,830	\$426,867
Street	\$ 1,332,450	\$1,256,760	\$75,690
Comm. Dev. Grants	\$107,764	\$47,403	\$60,361
Housing & Related Services	\$250,000	\$189,647	\$60,353
Trans. Benefit District	\$236,000	\$190,718	\$45,282
Library	\$6,500	\$2,835	\$3,665
Hotel/Motel	\$276,000	\$200,744	\$75,256
Criminal Justice	\$ 25,000	\$20,000	\$5,000
Events	\$143,570	\$121,661	\$21,909
Bond Redemption	\$283,500	\$210,495	\$73,005
Street Improvements	\$6,437,300	\$6,064,035	\$373,265
Capital Improvements	\$4,632,000	\$4,575,405	\$56,595
Stormwater	\$1,676,050	\$1,452,621	\$223,429
Equipment R & R	\$542,100	\$524,101	\$17,999
Total	\$25,253,931	\$23,735,256	\$1,518,675

Budgeted amounts are authorized to be transferred between a fund or within classifications within departments; however, any revisions that alter the total expenditures of a fund, or that affect the

number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of East Wenatchee legislative body.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of CoVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

At the beginning of the pandemic the City's revenues took a substantial hit resulting in the decision to not hire open positions, and limit departmental spending to necessities only. These restrictions were loosened throughout the year when the revenues recovered, and it looked like the impact of the pandemic was not as great as initially feared. The City has remained economically stable and continues to adapt to the changing conditions.

The length of time these measures will continue to be in place, and the full extent of the director indirect financial impact on the City of East Wenatchee is unknown at this time.

Note 4 – Deposits and Investments

Investments are reported at amortized cost. Deposits and investments by type at December 31, 2021 are as follows:

<u>Type of Investment or Deposit</u>	<u>City's Own Deposits and Investments</u>	<u>Deposits Held as Custodian</u>	<u>Total</u>
Bank Deposits	\$1,920,693	\$9,632	\$1,930,325
Local Government Investment Pool	4,128,444		4,128,444
Government Agency Bonds	3,996,400		3,996,400
Total	\$10,045,537	\$9,632	\$10,055,169

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds, if significant.

The City of East Wenatchee 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 for deposits is the risk that, in event of a failure of a depository financial institution, the City of East Wenatchee 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's deposits 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 East Wenatchee or its agent in the government's name.

Note 5 - Interfund Loans

The City of East Wenatchee had no interfund loan activity for fiscal year 2021.

Note 6 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of East Wenatchee and summarizes the City's debt transactions for the year ended December 31, 2021.

The debt service requirements for an LTGO bond issued on December 1, 2002, which matures in 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$47,500</u>	<u>\$1,163.75</u>	<u>\$48,663.75</u>
Totals	<u>\$47,500</u>	<u>\$1,163.75</u>	<u>\$48,663.75</u>

In 2018, the City of East Wenatchee also contracted with the Washington State Department of Commerce through the Public Works Board for a loan not to exceed \$750,000 where the loan proceeds are disbursed on a cost reimbursement basis. The loan matures in 2038. The estimated debt service requirements provided by Department of Commerce are below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$29,286.10	\$7,575.14	\$36,861.24
2023	\$29,286.10	\$7,309.81	\$36,595.91
2024	\$29,286.10	\$6,852.95	\$36,139.05
2025 - 2029	\$146,430.44	\$27,411.78	\$173,842.22
2030 - 2034	\$146,430.48	\$15,990.21	\$162,420.69
2035 - 2038	<u>\$117,144.34</u>	<u>\$4,568.63</u>	<u>\$121,712.97</u>
<u>Totals</u>	<u>\$497,863.60</u>	<u>\$69,708.52</u>	<u>\$567,572.12</u>

In 2021, the City of East Wenatchee committed to a Limited Tax General Obligation (LTGO) bond with Banner Bank for \$10,000,000 that matures in 2041. The bond is treated like a construction loan; therefore, the City elected to draw only \$4,000,000 from the bond in 2021 for the purchase of a new building for the Police Department. The agreement with Banner Bank states, "The aggregate amount of all Draws on the Bond shall be limited to the lesser of (i) \$10,000,000 or (ii) the principal sum of all Draws on the Bond made on and before August 31, 2022."

The estimated debt service requirements below were provided by Banner Bank with an estimated \$4,000,000 draw on June 15, 2022, and the final estimated draw payment of \$2,000,000 on August 31, 2022:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$256,410	\$156,780	\$413,190
2023	\$512,821	\$228,117	\$740,938

2024	\$512,821	\$216,550	\$729,371
2025 - 2029	\$2,564,103	\$897,717	\$3,469,820
2030 - 2034	\$2,564,103	\$593,417	\$3,157,519
2035 - 2039	\$2,564,103	\$289,117	\$2,853,219
2040 - 2041	<u>\$1,025,641</u>	<u>\$30,467</u>	<u>\$1,056,108</u>
<u>Totals</u>	<u>\$10,000,000</u>	<u>\$2,412,165</u>	<u>\$12,412,165</u>

Note 7 – Other Post-Employment Benefit Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of East Wenatchee as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had three members, all retirees. As of December 31, 2021, the City's total OPEB liability was \$1,907,104, as calculated using the alternative measurement method. For the year ended December 31, 2021, the City of East Wenatchee paid \$26,730 in benefits.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of East Wenatchee 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; specifically, the City participates in:

- Law Enforcement Officers and Fire Fighters Retirement System (LEOFF)
- Public Employees Retirement System (PERS)

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

At June 30, 2021 (the measurement date of the plans), the City of East Wenatchee's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	99,136	.00013309	\$162,534
PERS 2/3	162,109	.00017113	(\$1,704,730)

LEOFF 1	NA	.00004877	(\$167,065)
LEOFF 2	96,455.29	.00048386	(\$2,810,459)

LEOFF Plan 1

The City of East Wenatchee also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City of East Wenatchee also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Defined Contribution Pension Plans

The City offers its employees a deferred compensation plan under Internal Revenue Code Section 457. This plan is with the State of Washington Deferred Compensation Plan.

The plan, available to eligible employees, permits employees to defer a portion of their salary for future years. The deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. Employees determine how much they contribute per pay period. The City of East Wenatchee does not contribute to the plan. Further information regarding the Washington State Deferred Compensation Plan may be obtained at the address below:

Department of Retirement Systems
Deferred Compensation Program
PO Box 48380
Olympia, WA 98504-8380

Note 9 - Property Tax

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

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

The City of East Wenatchee's regular levy for the year 2021 was \$1.237738 per \$1,000 on an assessed valuation of \$1,500,569,276 for a total regular levy of \$1,857,310.74.

Note 10 – Risk Management

The City of East Wenatchee is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form

together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2021, membership includes 192 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision; Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit the member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim (can vary by member), while the program is responsible for the \$100,000 SIR. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$3,505,566, which is fully funded in its annual budget.

Property insurance is subject to a per-occurrence SIR of \$100,000. Members are responsible for a \$1,000 deductible amount for each claim (some member deductibles vary). The program bears the \$100,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2021, were \$2,772,986.77.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

Note 11 - Other Disclosures

A. Health & Welfare

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

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

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

B. Interlocal Agreements

In 2002, Douglas County, Chelan County, the City of Wenatchee, and the City of East Wenatchee, entered an Interlocal Cooperative Agreement under the authority of RCW Chapter 39.34 to provide for the joint exercise of their powers, privileges, and authorities to operate a consolidated 911 emergency dispatch facility named Rivercom. Rivercom began operations in July 2004 and serves as the Public Safety Answering Point for all the law enforcement agencies in Chelan and Douglas Counties, as well as for most of the fire and emergency medical service agencies in the two-county region. The City of East Wenatchee is charged a user fee based on usage of Rivercom services as evidenced by either the number of radio logs and/or dispatched events. Douglas County accounts for Rivercom as an agency fund and financial reports may be obtained from:

Douglas County Auditor
P O Box 456
Waterville, WA 98858

In April of 2014, the City entered an Interlocal Cooperative Agreement with the Columbia River Drug Task Force ("Drug Task Force"). The Drug Task Force is a multi-jurisdictional narcotics and gang task force consisting of the City of Wenatchee, Washington State Patrol, County of Chelan and the City of East Wenatchee. The Drug Task Force is a special investigations unit created to operate within Chelan County, City of Wenatchee, City of East Wenatchee and Douglas County. The City's responsibility is to assign a first-class police officer at no cost to the Drug Task Force, which the City has done. The City may share ratably in current and future grant awards to the Drug Task Force to offset the costs of the assigned police officer.

**City of East Wenatchee
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2021 Banner Bank 20-yr. \$10.00MM LTGO Bond, Issued 6/29/2021	12/1/2041	-	4,000,000	-	4,000,000
263.87	Washington State Public Works Trust Fund Loan, Issued 8/21/2018 - Original Amt. of \$750,0000	6/1/2038	219,039	443,825	165,000	497,864
263.98	Limited Tax Obligation Bonds, Issued 12/1/2002 Chelan County, Washington - City of East Wenatchee Obligation, Original Amount (Note A)	12/1/2022	92,500	-	45,000	47,500
Total General Obligation Debt/Liabilities:			311,539	4,443,825	210,000	4,545,364
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - Vacation and Sick Leave		450,656	533,819	565,596	418,879
264.30	Net Pension Liability		649,798	-	487,264	162,534
264.40	OPEB		1,868,045	39,059	-	1,907,104
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,968,499	572,878	1,052,860	2,488,517
Total Liabilities:			3,280,038	5,016,703	1,262,860	7,033,881

**City of East Wenatchee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53- 0022	-	47,403	47,403	-	
Total CDBG - Entitlement Grants Cluster:				-	47,403	47,403	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT Local Programs)	Highway Planning and Construction	20.205	STPUS-TAP- 5919(001)	2,313,536	-	2,313,536	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT Local Programs)	Highway Planning and Construction	20.205	STPUS-5924 (005)	93,206	-	93,206	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT Local Programs)	Highway Planning and Construction	20.205	SRTS 5906 (001)	120,682	-	120,682	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT Local Programs)	Highway Planning and Construction	20.205	SRTS 9909 (004)	106,509	-	106,509	-	
Total Highway Planning and Construction Cluster:				2,633,933	-	2,633,933	-	

The accompanying notes are an integral part of this schedule.

City of East Wenatchee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

	Expenditures					Passed through to Subrecipients	Note
	Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total
	DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	1505-0271	-	175,150	175,150
		Total Federal Awards Expended:			2,633,933	222,553	2,856,486
						175,150	175,150

City of East Wenatchee
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City of East Wenatchee's financial statements. The City of East Wenatchee uses the cash basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

The City of East Wenatchee has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The amount expended includes \$0 claimed as an indirect cost recovery using an approved indirect cost rate of 0 percent.

Note 3 – 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 East Wenatchee'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.



CITY OF EAST WENATCHEE

271 9th Street NE * East Wenatchee, WA 98802
P: (509) 886-6101 * F: (509) 884-6233

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of East Wenatchee
January 1, 2021 through December 31, 2021

This schedule presents the corrective action planned by the City for findings reported in this report 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).

Finding ref number: 2021-001	Finding caption: The City did not have adequate controls for ensuring compliance with federal procurement requirements.
Name, address, and telephone of City contact person: Josh DeLay, Finance Director 271 9th Street N.E. East Wenatchee, WA 98802 (509) 886-4507	
Corrective action the auditee plans to take in response to the finding: <i>The City is already in the process of establishing a written procurement policy that will conform to federal procurement requirements as well as any other applicable requirements.</i>	
Anticipated date to complete the corrective action: First quarter of 2023 at the latest	

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.

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