



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Cle Elum

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

Published April 13, 2023

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

April 13, 2023

Mayor and City Council
City of Cle Elum
Cle Elum, Washington

Report on Financial Statements

Please find attached our report on the City of Cle Elum's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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 Cle Elum January 1, 2021 through December 31, 2021

Mayor and City Council
City of Cle Elum
Cle Elum, 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 Cle Elum, 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 April 6, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

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Pat McCarthy, State Auditor

Olympia, WA

April 6, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Cle Elum January 1, 2021 through December 31, 2021

Mayor and City Council
City of Cle Elum
Cle Elum, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Cle Elum, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the financial section of our report.

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 Cle Elum, 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 Cle Elum, 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 an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2023 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

April 6, 2023

FINANCIAL SECTION

City of Cle Elum 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

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

	Total for All Funds (Memo Only)	001 Current Expense/General Fund	101 Street Fund	104 Police 3/10's Sales Tax Fund	106 Tourist/Lodging Tax Fund	110 Coal Mine Trail Fund	201 General Obligation Loan/Debt Fund
Beginning Cash and Investments							
308 Beginning Cash and Investments	4,408,370	826,938	287,867	127,542	314,313	31,607	6,122
388 / 588 Net Adjustments	-	-	-	-	-	-	-
Revenues							
310 Taxes	3,410,106	2,350,187	376,272	144,038	228,243	-	-
320 Licenses and Permits	137,770	130,718	6,500	552	-	-	-
330 Intergovernmental Revenues	774,459	362,216	324,106	-	50,000	-	-
340 Charges for Goods and Services	6,951,829	2,740,922	27,196	67,272	-	-	40,580
350 Fines and Penalties	19,886	19,129	-	-	-	-	-
360 Miscellaneous Revenues	376,188	248,657	62,580	221	517	49	10
Total Revenues:	11,670,238	5,851,829	796,654	212,083	278,760	49	40,590
Expenditures							
510 General Government	931,830	931,830	-	-	-	-	-
520 Public Safety	1,461,896	1,385,546	-	76,350	-	-	-
530 Utilities	3,333,444	126,975	-	-	-	-	-
540 Transportation	448,162	-	437,045	-	-	1,978	-
550 Natural/Economic Environment	1,023,357	656,607	-	51,742	315,008	-	-
560 Social Services	1,148	574	574	-	-	-	-
570 Culture and Recreation	182,747	182,747	-	-	-	-	-
Total Expenditures:	7,382,584	3,284,279	437,619	128,092	315,008	1,978	-
Excess (Deficiency) Revenues over Expenditures:	4,287,654	2,567,550	359,035	83,991	(36,248)	(1,929)	40,590
Other Increases in Fund Resources							
391-393, 596 Debt Proceeds	21,828	-	-	-	-	-	-
397 Transfers-In	10,735	4,000	-	-	-	2,000	4,735
385 Special or Extraordinary Items	-	-	-	-	-	-	-
381, 382, 389, 395, Other Resources	-	-	-	-	-	-	-
398	-	-	-	-	-	-	-
Total Other Increases in Fund Resources:	32,563	4,000	-	-	-	2,000	4,735
Other Decreases in Fund Resources							
594-595 Capital Expenditures	765,688	31,871	492,367	-	-	-	-
591-593, 599 Debt Service	429,969	-	-	-	-	-	45,615
597 Transfers-Out	10,735	4,735	-	-	6,000	-	-
585 Special or Extraordinary Items	-	-	-	-	-	-	-
581, 582, 589 Other Uses	50,225	50,225	-	-	-	-	-
Total Other Decreases in Fund Resources:	1,256,617	86,831	492,367	-	6,000	-	45,615
Increase (Decrease) in Cash and Investments:	3,063,600	2,484,719	(133,332)	83,991	(42,248)	71	(290)
Ending Cash and Investments							
50821 Nonspendable	-	-	-	-	-	-	-
50831 Restricted	1,712,337	284,589	-	201,825	272,066	-	-
50841 Committed	97,957	97,957	-	-	-	-	-
50851 Assigned	5,096,555	2,363,992	154,537	9,709	-	31,678	5,831
50891 Unassigned	565,123	565,123	-	-	-	-	-
Total Ending Cash and Investments	7,471,972	3,311,661	154,537	211,534	272,066	31,678	5,831

City of Cle Elum
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	22,936	22,936
388 & 588	Net Adjustments	-	-
310-390	Additions	26,296	26,296
510-590	Deductions	27,616	27,616
	Net Increase (Decrease) in Cash and Investments:	(1,320)	(1,320)
508	Ending Cash and Investments	21,616	21,616

The accompanying notes are an integral part of this statement.

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 - Summary of Significant Accounting Policies

The City of Cle Elum was incorporated on February 12, 1902 and operates under the laws of the state of Washington applicable to a Code City. The city is a general-purpose local government and provides public safety, fire protection, street improvements, parks and recreation and general administrative services.

The city 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. (See Note 5 – Component Unit, Joint Ventures, and 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 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.

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

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 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 \$5,000.00 and an estimated useful life excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

For non-union employees, vacation leave may be accumulated up to 37.5 days (300 hours) and is payable upon separation or retirement. Compensation hours can also be accumulated up to 30 days (240 hours) and is payable upon separate or retirement. Sick leave may be accumulated indefinitely but paid out only at 25% with a cap of 30 days (240 hours) upon separation or retirement. Payments are recognized as expenditures when paid. In 2021, the policy was changed to payout 25% of the sick leave either directly to the employee or the HRA VEBA account.

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2021

Per the union agreement with Teamsters Local #760, union employees' annual leave may be accumulated up to 37.5 days (300 hours) unless the city has rejected a leave request, in which the employee can accumulate 37.5 days (300 hours) plus the time that was rejected and is payable upon separation or retirement. Sick leave can accumulate up to 132 days (1,056 hours) of sick leave of which is accrued at a rate of 1 day (8 hours) per month. Sick leave can only be paid out at separation or retirement at 25% of the accrued unused sick leave and may be paid to the employee or their HRA VEBA account. Compensation hours can accumulate up to 6.5 days (60 hours) and is also paid out upon separation or retirement.

The City of Cle Elum's compensated absences/leave accrual at 12/31/21 was \$251,378 and is documented within Schedule 9. Subtotals per accrual are as follows:

Compensation Leave Accrual = \$41,536
Sick Leave Accrual = \$66,714
Vacation Leave Accrual = \$143,128

F. Long-Term Debt

See Note 6 - *Long Term Debt* (Formerly Debt Service Requirements)

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 the city council, granting agencies and RCW's. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of the following:

Fund #001	General Fund – Fire Truck – Resolution 2018-027—Committed	\$ 97,957.00
Fund #001	General Fund – ARPA Grant Funds – Restricted	284,589.00
Fund #104	Police 3/10's – Resolution 2013-004 -- Restricted	201,825.00
Fund #106	Tourism Fund – RCW 67.28.1816 – Restricted	272,066.27
Fund #309	REET Excise Tax Fund – RCW 82.46 – Restricted	703,857.25
Fund #401	Water Fund – Loan Reserve – Columbia Bank – Restricted	175,000.00
Fund #409	Sewer Fund – Loan Reserve – Columbia Bank – Restricted	75,000.00
Fund #630	Pangrazi Memorial Fund – Custodial Fund – Restricted	17,637.93
Fund #698	State Agency Fund – Custodial Fund -- Restricted	3,977.93
	TOTAL RESERVE BALANCES	\$1,831,910.38

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Budget Compliance

The city adopts annual appropriated budgets for all 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 appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variance
001 - Current Expense/General Fund				
Current Expense/General Fund	3,670,570.00	2,908,394.57	762,175.43	
Suncadia Property Sale	400,000.00	108,360.20	291,639.80	For Community Center
American Rescue Plant Act of 2021 (ARPA)				
Central Cascades Land CRA 2009-01 Devel. Fund	29,300.00		29,300.00	
Cle Elum Pines West Devel. Fund	15,000.00	1,033.75	13,966.25	
Sun Communities CRA 2018-01 Devel. Fund	265,000.00	127,501.72	137,498.28	
MVOLLC/Prium CRA 2005-02 Devel. Fund	8,290.00		8,290.00	
Whispering Pines Devel. Fund	7,000.00	4,347.76	2,652.24	
City Heights CRA 2020-01 Devel. Fund	260,000.00	214,899.34	45,100.66	

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2021

Fowler Creek Trails Deneen Developer Fund	15,000.00	6,534.50	8,465.50	
Trendwest/New Suncadia CRA 2002-01 Devel. Fund	18,811.00	33.61	18,777.39	
Total 001 - Current Expense/General Fund	4,688,971.00	3,371,105.45	1,317,865.55	
101 - Street Fund				
Street Fund	1,611,521.00	811,290.92	800,230.08	Delay in Grant Expenses
TIB Complete Streets Grant	686,836.00	118,692.77	568,143.23	Delay in Grant Expenses
Total 101 - Street Fund	2,298,357.00	929,983.69	1,368,373.31	
104 - Police 3/10's Sales Tax Fund	251,130.00	128,090.84	123,039.16	
106 - Tourist/Lodging Tax Fund	513,800.00	321,007.84	192,792.16	
110 - Coal Mine Trail Fund	37,075.00	1,978.22	35,096.78	
201 - General Obligation Loan/Debt Fund	51,845.00	45,615.00	6,230.00	
309 - REET Excise Tax/Capital Projects Fund	856,000.00	208,662.17	647,337.83	Sewer Main Repair was delayed
401 - Water Fund				
Water Fund	1,068,134.00	848,945.44	219,188.56	
Water Regional Fund	1,322,900.00	645,073.94	677,826.06	Projects were delayed
Water Capital Reserve Fund	476,000.00	88,511.80	387,488.20	
Total 401 - Water Fund	2,867,034.00	1,582,531.18	1,284,502.82	

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2021

402 - Sanitary Fund	928,550.00	747,785.65	180,764.35	
403 - Airport Fund	12,560.00	9,138.20	3,421.80	
409 - Sewer Fund				
Sewer Fund	971,774.00	580,900.71	390,873.29	
Sewer Regional Fund	893,154.00	646,484.12	246,669.88	
Sewer Capital Reserve Fund	591,000.00	65,911.99	525,088.01	
Total 409 - Sewer Fund	2,455,928.00	1,293,296.82	1,162,631.18	
630 - Pangrazi Memorial Fund	20,550.00	1,605.25	18,944.75	
698 - State Agency Fund	42,580.00	26,011.60	16,568.40	
TOTALS	15,024,380.00	8,666,811.91	6,357,568.09	

Budgeted amounts are authorized to be transferred between departments 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's legislative body.

No transfers have been eliminated in the table above due to consolidation.

The 2021 budget was amended by Ordinance #1608 on June 14, #1617 on November 8, #1623 on November 22, and #1624 December 13, 2021, for an amount of \$1,527,700. Some of the adjustments were for the sewer main repair, Horse Park Lodging Tax Grant, increased development, and regional water fund projects.

This budget compliance table includes ending fund balances as part of the final appropriated amounts.

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 include limitations on business operations, public events gatherings, travel, and in-person interactions.

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2021

To date, the city has not experienced any direct financial impacts due to the pandemic. The city continues to operate all major functions and meet its public mandates.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the city is unknown at this time.

Note 4— Deposits and Investments

Investments are reported at original cost or fair value. Deposits and investments by type on December 31, 2021, are as follows:

Type of Deposit or Investment	City Deposits and Investments	Deposits and Investments held by the city as custodian for other local governments, individuals, or private organizations	Total
Bank Deposits (FMV)	\$4,822,942.45	\$21,615.86	\$4,844,558.31
Money Market Investment (FMV)	151,729.24	0	151,729.24
2 Year Government Bond (Cost)	2,496,385.00	0	2,496,385.00
Cash on Hand	915.00	0	915.00
TOTAL INVESTMENTS	\$7,471,971.69	\$21,615.86	\$7,493,587.55

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the city 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 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 or its agent in the government's name.

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Note 5 – Component Units, Joint Ventures, and Related Parties

1. Upper Kittitas County Regional Water Treatment Plant

The City of Cle Elum owns and operates a Regional Water Supply System (WSS) to supply potable water to the City of Cle Elum, its Urban Growth Area, and neighboring communities consisting of:

- Town of South Cle Elum.
- Suncadia Master Planned Resort.

In June 2001, the Water Supply System Project Development Agreement was executed identifying the project phases, cost responsibilities of Suncadia (then Trendwest), and reimbursement charges.

The City of Cle Elum is responsible for operation, maintenance, and upkeep of the Water Supply System to provide a reliable Water Supply Service to the Town of South Cle Elum, and the Suncadia Master Planned Resort as wholesale customers.

Upper Kittitas County Regional Wastewater Treatment Plant

The Upper Kittitas County Regional Wastewater Treatment Plant (WWTP) is owned and operated by the City of Cle Elum to treat wastewater flows from the City of Cle Elum, its Urban Growth Area, and neighboring communities consisting of:

- Town of South Cle Elum.
- City of Roslyn.
- Unincorporated community of Ronald northwest of Roslyn along State Route 903.
- Pineloch Sun III development within the Ronald UGA.
- Suncadia Master Planned Resort.

In 2002, the Upper Kittitas County Regional Wastewater Treatment Facilities Project Agreement and Development Agreement was initiated, and in June 2008, the fourth amendment to this agreement was executed. Section 8 of the agreement defines the regional governance of the WWTP. A portion of some the governance parameters is listed below from this agreement:

- City of Cle Elum shall be responsible for operation, maintenance and upkeep of the Regional Elements and compliance with the City's NPDES permit.
- Title to the Regional Elements, including all facilities, improvements, permits, supplies, materials, equipment, fixtures, and other property of whatsoever kind or nature that is included in the Regional Elements, whether incorporated therein, shall be, and remain, in the City of Cle Elum. Title to the parcels of land on which the upgraded wastewater treatment plant discussed in the Facilities Plan is constructed is now, and shall remain, in the City of Cle Elum.
- Each Party shall own title to its Capacity Share as a separate property interest as set forth in Section 3.
- A Regional Sewer Committee shall be composed of four voting representatives, one from Cle Elum, one from South Cle Elum, one from Roslyn, and one from the utility provider for Suncadia's MPR properties.
- The Committee shall select its chair and such other officers, shall fix a time and place for meetings, and shall establish such rules and procedures as it deems appropriate, provided that the Committee meet at least quarterly.

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For the Year Ended December 31, 2021

- A quorum of three voting members must be present before the chair can recognize a call for a vote of the Committee.
- Motions shall be passed by a simple majority of voting members present at the meeting.
- The Committee's action on all motions shall be in the form of a recommendation to Cle Elum. Cle Elum and the other Parties will give good faith consideration to a recommendation of the Committee when it acts related to the subject matter of the recommendation. Committee recommendations will be advisory only to Cle Elum and the other Parties.
- Cle Elum will submit to the Regional Sewer Committee all proposed and final budgets, contracts, rules, and regulations, plans for additions or betterments, and other matters it deems appropriate for the Committee requests relating to the Regional Elements.
- At least thirty (30) days prior to a committee meeting in the third quarter meeting of each year, Cle Elum will submit the proposed annual operating budget and related expense information to the Committee for its review, which review will be done promptly.
- All Parties will submit to the Regional Sewer Committee annually and at other times when requested, all data relating to water consumption, sewage discharge, sewer connections and Residential Customer Equivalents, the total annual amount of capital reimbursement charge payments collected and reimbursed to Suncadia pursuant to Section 2.2, sewage quality, plans for additions or betterments to local Collection Facilities, and other information relating to the Regional Facility.
- The Regional Sewer Committee shall annually calculate the total amount of capital reimbursement charge payments that were collected and reimbursed to Suncadia pursuant to Section 2.2, during the preceding year. The Regional sewer Committee shall also annually calculate the total amount capital reimbursement charge payments that were collected and reimbursed to Suncadia pursuant to Section 2.2, since Cle Elum accepted the Regional Elements, as well as the outstanding balance necessary to completely reimburse Suncadia for 44% its expenditures under Sections 2.1.3, 2.1.4, and 2.1.5 above.

In 2021 The Upper Kittitas County Regional Wastewater Treatment Facilities total budget was \$893,154 and reported net income of \$376,370. The net income is in fund 410 called the Sewer Regional Fund and is the reserves for this joint venture.

2. Related Party Transactions

The City of Cle Elum has one councilmember with a business where computer supplies are purchased. In 2021 the total purchases were \$4,450.76.

Note 6 – Long-Term Debt

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2021.

The debt service requirements for general obligation bonds and revenue bonds are as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2022	\$436,257.89	\$87,316.65	\$523,574.54
2023	353,141.23	75,924.26	429,065.49
2024	314,141.27	67,358.38	381,499.65

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2025	187,000.00	59,724.00	246,724.00
2026	193,000.00	52,992.00	245,992.00
2027-2031	1,055,000.00	156,420.00	1,211,420.00
2032	224,000.01	8,064.00	232,064.01
TOTALS	\$2,762,540.40	\$507,799.29	\$3,270,339.69

Unused Lines of Credit

At fiscal year end, the city had \$7,000,000 available in an unused line of credit through Umpqua Bank.

Note 7- Other Disclosures

1. Regional Agreements

In 2000 the City of Cle Elum entered into an interlocal agreement for Law Enforcement Services with the Town of South Cle Elum and the City of Roslyn, which is administered and managed by the City of Cle Elum. In addition to law enforcement services, animal control services are provided. The Town of South Cle Elum is terminating this contract February 18, 2022.

2. Projects

A. Downtown Revitalization Project

Current Construction Estimate Remaining -- \$5,800,000

Brief Project Description: In 2017, the City of Cle Elum initiated a Downtown Revitalization effort to enhance the appearance of 1st Street (Main Street), increase economic growth and vitality, and create a safe walkable streetscape consistent with their Complete Streets Ordinance. Stakeholders, business and property owners, residents, the public, Planning Commission and City Council provided valuable input throughout the planning process, and as a result in June 2017, the City Council unanimously adopted the Preferred Alternative by Resolution. This Alternative established a conceptual plan for street and parking configuration, streetscape amenities, and landscape improvements for First Street.

To implement the Plan, the corridor project was separated into three succinct phases:

- Phase 1 – Peoh Avenue and SR 903 (First Street) Intersection Improvements.
- Phase 2 – First Street Stormwater Improvements and Billings Avenue to Oakes Avenue Improvements; and
- Phase 3 – Downtown Revitalization including First Street pedestrian and street Improvements.

Since adopting the Preferred Alternative in 2017, approximately \$3.5 million in funding has been secured from 15 sources, including local, state, and federal programs including CDBG/Department of Commerce, Washington State Department of Transportation (multiple), United States Department of Agriculture Rural Development, Transportation Improvement Board (multiple), Kittitas County Council of Governments (multiple years) and a Department of Commerce/Public Works Board loan. In addition, the city secured a line of credit with Umpqua Bank for a Limited Tax Obligation Bond not to exceed \$7,000,000.

Phase 1 was completed in December 2018, and constructed all storm water, sidewalk, and roadway improvements at the First Street and Peoh Avenue Intersection.

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Phase 2 was completed in August 2021, constructing all storm water improvements for the entire six block project corridor, as well as sidewalk and roadway improvements at the First Street and Billings Avenue intersection and the north block from Billings Avenue to Oakes Avenue.

Phase 3 includes the remaining streetscape improvements along the First Street corridor between the easterly and westerly “bookends,” including at the intersections of Oakes Avenue, Pennsylvania Avenue, Harris Avenue, Wright Avenue, and Bullitt Avenue. Phase 3 has secured design funding and is “shovel-ready” as of November 2021.

The city recently secured three independent grants for certain segments of the Phase 3 project. To improve economy of scale and bidder interest, and to reduce administrative costs, the three grant awards will be combined and constructed under one First Street Revitalization Project. The combined First Street Downtown Revitalization Phases 3A and 3B project will include improvements on the south side of First Street between Billings Avenue and Oakes Avenue, intersection improvements to the northwest, southwest, and northeast corners of the First Street and Oakes Avenue intersection, improvements on the north side of First Street between Oakes Avenue and Pennsylvania Avenue, improvements on the north side of First Street between Pennsylvania Avenue and Harris Avenue, and intersection improvements to the northwest corner of the First Street and Harris Avenue intersection

Improvements include new bulb-outs at each intersection, mid-block crosswalks, 30-degree angled parking, pavement markings with reduced lane widths, street signage with decorative pole provisions, curb and gutter, wide sidewalks with scoring patterns, ADA curb ramps, pedestrian and street illumination, including fixture accessories such as flag holders, banner supports, and hanging basket brackets, undergrounding utilities, planters with trees, shrubs, and power outlets, irrigation system, and site furnishings, including benches, bike racks, relocating existing coal carts, and trash receptacles.

B. Upper Kittitas County Community Center

Section (A) of the 2002 Bullfrog UGA Development agreement stated:

12 acres “shall be deeded to an Upper Kittitas County Non-Profit organization formed for the purpose of constructing, owning and operating a community center”. The name of this organization is Upper Kittitas County Community Recreation Center Alliance.

“The Upper Kittitas County Non-Profit organization shall be responsible for fundraising, construction and operation of the Community Center and associated recreational facilities, provided that the facilities shall be made available to all residents of the City of Cle Elum, City of Roslyn, Town of South Cle Elum and all residents of Upper Kittitas County.”

This process is being led by the Upper Kittitas County Community Recreation Center Alliance.

Vision is to build, using funds already secured from Suncadia, plus additional funding from private donors, grants, and other sources, a facility designed by the community that the community will maintain and operate through a tax levy (taxing authority TBD).

In 2021, the city received the \$2,000,000 funds from Sun Communities for the Suncadia obligation.

3. Litigation

A. Michael and Shirley Miller vs. City of Cle Elum

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Kittitas County Cause No. 20-2-00128-19. Michael and Shirley Miller filed a breach of contract claim against the City. The court ruled against the Millers resulting in a \$23,899 settlement to the city.

B. City Heights Arbitration (Letter from attorney below)

Kenyon Disend, PLLC

February 23, 2022

Office of Washington State Auditor

Re: Audit of the City of Cle Elum – through December 31, 2021

Dear State Auditor's Office:

This firm serves as the City Attorney for the City of Cle Elum. Pursuant to your request, the following is a summary of litigation and claims with respect to the City of Cle Elum for which this office is providing legal representation. As a preliminary matter, please be advised that this response is limited by and made in accordance with the Rules of Professional Conduct for Washington attorneys, and the American Bar Association Statement of Policy Regarding Lawyer's Responsibility to Auditor's Request for Information.

As you are probably aware, it is often difficult, if not impossible, to determine accurately the amount in controversy and the likelihood of a favorable or adverse result in any given litigation or other contested proceeding. Accordingly, unless such factors can be reasonably determined as of the time of your request, we will generally decline to speculate about likely results for such items in our response. As we develop more comprehensive legal opinions about any such matters, we would be pleased to supplement this response at your request.

As a further preliminary matter, please note that while this office serves as the City Attorney for the City of Cle Elum, litigation falling within the scope of the city's self-insured coverage is tendered to the Washington Cities Insurance Authority (WCIA). The WCIA, in turn, retains legal counsel of its choice on behalf of the city. In addition, claims for damages which have not yet resulted in litigation are also referred to WCIA for investigation and possible settlement. As to all such matters, we suggest that you contact WCIA directly at P.O. Box 88030, Tukwila, WA 98138.

In accordance with your specific request for information, as of the date of this response, the city is a party to a potential arbitration hearing related to a dispute under a 2011 development agreement regarding the processing of land use permits for property within the proposed City Heights development. The parties intend to mediate the dispute prior to determining whether an arbitration will be necessary. The City Heights developer is seeking damages for breach of contract and tort liability. The city denies liability and has asserted claims against the developer for unpaid mitigation and city review fees. A claim has been filed with WCIA and attorney Kenneth Harper with Menke Jackson Beyer, LLP has been retained to represent the city for the potential tort claim. Discovery regarding the parties' claims has not yet occurred.

Please feel free to contact me if you have any further questions, or if we can provide additional information. Thank you.

Very truly yours,

CITY OF CLE ELUM
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For the Year Ended December 31, 2021



Alexandra L. Kenyon
Kenyon Disend, PLLC

cc:Robin Newcomb, Treasurer

4. American Rescue Plan Act (ARPA)

The city received \$284,589 from the U.S. Treasury in 2021—Coronavirus Relief Funds from the American Rescue Plan Act. The city has not decided yet on where to spend the funds. In August of 2022, these funds were changed from fund #003 to fund #300.

Note 8 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Cle Elum as required by RCW 41.26.150. 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 1 member, a retiree. As of December 31, 2021, the City of Cle Elum's total LEOFF liability was \$399,050, as calculated using the alternative measurement method.

For the year ended December 31, 2021, the City of Cle Elum paid \$21,598 in defined benefit plans.

The City of Cle Elum administers a supplemental health plan for a LEOFF 1 retiree which is a defined benefit plan. The total cost for 2021 was \$5,202 and is through United Health Care Insurance.

In addition, the city administers a long-term care plan for this retiree which is also a defined benefit plan. The total cost for this plan for 2021 was \$16,396 and is through New York Life Insurance Company.

The City of Cle Elum administers the health retirement account, HRA VEBA, a defined contribution plan for active employees. The total cost for this plan for 2021 was \$73,425.

Sick leave is paid out at 25% to the HRA VEBA account upon separation or retirement. In 2021, the policy was changed to allow the payout to go directly to the employee or the HRA VEBA account.

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Plan Name	Plan Administrator	Type (DBP or DCP)	Plan Description	# Of Active Employees	# Of Retired Employees	Employer Contribution
Leoff 1 Supplemental Health	New York Life	DBP	Long Term Care	0	1	\$16,396
Leoff 1 Long Term Care	United Health Care	DBP	Supplemental Health	0	1	\$5,202
Voluntary Employees' Beneficiary Association	One Bridge Benefits	DCP	HRA VEBA	27	0	\$73,425

Note 9 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the city's 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 Plan 2 (PERS)

Law Enforcement Officers' and Fire Fighter's Retirement System Plan 2 (LEOFF)

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.

The city also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

On June 30, 2021, the city's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities (09), was as follows:

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Plan Type	Employer Contributions	Allocation Percentage	Plan Liability (Asset)
PERS 1 (UAAL)	\$49,750	0.006679 %	\$81,566
PERS 2/3	\$81,230	0.008575 %	\$(854,208)
LEOFF 1	N/A	0.000997 %	\$(34,153)
LEOFF 2	\$30,211	0.015155 %	\$(880,265)
VFFRPF	N/A	0.17 %	\$(37,331)

LEOFF Plan 1

The city 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 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.

Note 10 - 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. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2021 was \$1.467323 per \$1,000 on an assessed valuation of \$436,992,067 for a total regular levy of \$641,208.51.

The city's maintenance and operation levy for the fire department for the year 2021 was \$.50 per \$1,000 on an assessed valuation of \$436,992,067 for a total maintenance and operation fire levy of \$218,496.03.

Maintenance and Operation Levy passed in the November 3, 2020, election.

Note 11 – Risk Management

Health and Welfare

The City of Cle Elum 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

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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 Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the 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

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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 this 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.

Liability Insurance

The City of Cle Elum is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter Local 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 166 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 \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sub limits. 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 sub limits. 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 sub limits.

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.

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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 daily operations of WCIA.

Unemployment Self-Insured Coverage

The City of Cle Elum is self-insured for unemployment coverage. In 2021, there were 3 claims paid for a total of \$4,348.09 as reflected on Schedule 21.

City of Cle Elum
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						
263.87	Public Works Trust Fund Loan	6/1/2025	532,565	-	133,141	399,424
251.11	Fire Dept. Building	6/1/2023	125,000	-	40,000	85,000
	Total General Obligation Debt/Liabilities:		657,565	-	173,141	484,424
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	DOE Sewer Loan	4/30/2042	72,289	21,828	-	94,117
252.11	Columbia Bank Water Sewer Loan	12/1/2032	2,347,000	-	163,000	2,184,000
259.12	Compensated Absences		297,293	-	45,915	251,378
264.30	Pension Liability		355,691	-	274,125	81,566
264.40	OPEB Liability		428,699	-	29,649	399,050
	Total Revenue and Other (non G.O.) Debt/Liabilities:		3,500,972	21,828	512,689	3,010,111
	Total Liabilities:		4,158,537	21,828	685,830	3,494,535

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.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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- Toll-free Citizen Hotline:
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