



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Cle Elum

For the period January 1, 2022 through December 31, 2022

Published August 17, 2023

Report No. 1033127



Scan to see another great way
we're helping advance
#GoodGovernment



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

August 17, 2023

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

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Cle Elum'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

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	9
Independent Auditor's Report on the Financial Statements.....	13
Financial Section.....	17
About the State Auditor's Office.....	45

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Cle Elum January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</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

None reported.

INDEPENDENT AUDITOR'S REPORT

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

City of Cle Elum January 1, 2022 through December 31, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 11, 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.

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

August 11, 2023

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 Cle Elum
January 1, 2022 through December 31, 2022

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Cle Elum, 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, 2022. 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, 2022.

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.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our 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. 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.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

August 11, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Cle Elum January 1, 2022 through December 31, 2022

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, 2022, 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, 2022, 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, 2022, 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 accompanying 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 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, 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

August 11, 2023

FINANCIAL SECTION

City of Cle Elum January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to the Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

City of Cle Elum
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 Current Expense/General Fund	101 Street Fund
Beginning Cash and Investments				
308	Beginning Cash and Investments	7,471,972	3,027,072	154,537
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	3,572,736	2,574,061	315,484
320	Licenses and Permits	121,928	115,662	5,900
330	Intergovernmental Revenues	3,162,454	85,576	2,753,460
340	Charges for Goods and Services	5,329,848	849,386	163,546
350	Fines and Penalties	22,822	17,837	-
360	Miscellaneous Revenues	305,975	105,803	69,273
Total Revenues:		12,515,763	3,748,325	3,307,663
Expenditures				
510	General Government	1,367,495	1,367,495	-
520	Public Safety	1,869,294	1,686,038	-
530	Utilities	3,907,586	116,509	-
540	Transportation	788,249	-	578,038
550	Natural/Economic Environment	840,399	654,991	-
560	Social Services	656	313	343
570	Culture and Recreation	219,108	219,108	-
Total Expenditures:		8,992,787	4,044,454	578,381
Excess (Deficiency) Revenues over Expenditures:		3,522,976	(296,129)	2,729,282
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	7,413	-	-
397	Transfers-In	7,500	4,000	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		14,913	4,000	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	2,941,455	201,038	2,517,442
591-593, 599	Debt Service	475,030	46,478	1,127
597	Transfers-Out	7,500	1,500	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	2,775	2,775	-
Total Other Decreases in Fund Resources:		3,426,760	251,791	2,518,569
Increase (Decrease) in Cash and Investments:		111,129	(543,920)	210,713
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	2,144,209	-	186,352
50841	Committed	117,188	117,188	-
50851	Assigned	5,155,740	2,199,996	178,899
50891	Unassigned	165,975	165,975	-
Total Ending Cash and Investments		7,583,112	2,483,159	365,251

The accompanying notes are an integral part of this statement.

104 Police 3/10's Sales Tax Fund	106 Tourist/Lodging Tax Fund	110 Coal Mine Trail Fund	201 General Obligation Loan/Debt Fund	300 American Rescue Plant Act of 2021/2022 (309 REET Excise Tax/Capital Projects Fund
211,534	272,066	31,678	5,831	284,589	703,857
-	-	-	-	-	-
187,685	227,937	-	-	-	267,569
366	-	-	-	-	-
-	5,225	-	-	284,590	-
27,573	-	4,000	38,780	-	-
-	-	-	-	-	-
236	441	46	7	-	675
<u>215,860</u>	<u>233,603</u>	<u>4,046</u>	<u>38,787</u>	<u>284,590</u>	<u>268,244</u>
-	-	-	-	-	-
183,256	-	-	-	-	-
-	-	-	-	-	-
-	-	1,795	-	-	202,792
54,183	131,225	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>237,439</u>	<u>131,225</u>	<u>1,795</u>	<u>-</u>	<u>-</u>	<u>202,792</u>
<u>(21,579)</u>	<u>102,378</u>	<u>2,251</u>	<u>38,787</u>	<u>284,590</u>	<u>65,452</u>
-	-	-	-	-	-
-	-	2,000	1,500	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>2,000</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	77,630
-	-	-	43,305	-	136,496
-	6,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>6,000</u>	<u>-</u>	<u>43,305</u>	<u>-</u>	<u>214,126</u>
(21,579)	96,378	4,251	(3,018)	284,590	(148,674)
-	-	-	-	-	-
179,121	368,445	35,929	-	569,179	555,183
-	-	-	-	-	-
10,835	-	-	2,812	-	-
-	-	-	-	-	-
189,956	368,445	35,929	2,812	569,179	555,183

The accompanying notes are an integral part of this statement.

<u>401 Water Fund</u>	<u>402 Sanitary Fund</u>	<u>403 Airport Fund</u>	<u>409 Sewer Fund</u>
1,395,404	179,910	2,449	1,203,045
-	-	-	-
-	-	-	-
-	-	-	-
245	-	-	33,358
1,909,635	833,363	-	1,503,565
2,547	2,438	-	-
21,904	2,261	39,867	65,462
<u>1,934,331</u>	<u>838,062</u>	<u>39,867</u>	<u>1,602,385</u>
-	-	-	-
-	-	-	-
1,400,826	867,407	-	1,522,844
-	-	5,624	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,400,826</u>	<u>867,407</u>	<u>5,624</u>	<u>1,522,844</u>
<u>533,505</u>	<u>(29,345)</u>	<u>34,243</u>	<u>79,541</u>
-	-	-	7,413
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,413</u>
74,197	-	-	71,148
215,790	-	-	31,834
-	-	-	-
-	-	-	-
-	-	-	-
<u>289,987</u>	<u>-</u>	<u>-</u>	<u>102,982</u>
<u>243,518</u>	<u>(29,345)</u>	<u>34,243</u>	<u>(16,028)</u>
-	-	-	-
175,000	-	-	75,000
-	-	-	-
1,463,924	150,565	36,692	1,112,017
-	-	-	-
<u>1,638,924</u>	<u>150,565</u>	<u>36,692</u>	<u>1,187,017</u>

The accompanying notes are an integral part of this statement.

City of Cle Elum
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	21,616	21,616
388 & 588	Net Adjustments	-	-
310-390	Additions	22,253	22,253
510-590	Deductions	25,194	25,194
	Net Increase (Decrease) in Cash and Investments:	(2,941)	(2,941)
508	Ending Cash and Investments	18,678	18,678

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, 2022

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 4 – 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, 2022

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 for 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 3, *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 are payable upon separation 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, 2022

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 are also paid out upon separation or retirement.

The City of Cle Elum's compensated absences/leave accrual at 12/31/22 was \$240,063 and is documented within Schedule 9. Subtotals per accrual are as follows:

Compensation Leave Accrual = \$32,445
Sick Leave Accrual = \$57,060
Vacation Leave Accrual = \$150,558

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 Name	Portion of Ending Balance Restricted	Portion of Ending Balance Committed	Combined	Reason for Restriction or Commitment
General	\$0	\$117,188	\$117,188	Fire Truck Resolution #2018-027
Street	186,352	0	186,352	TIB Grant
Police 3/10's	179,121	0	179,121	Resolution 2013-004
Tourism Fund	368,445	0	368,445	RCW 67.28.1816
Coal Mine Trail	35,929	0	35,929	Ordinance 1043
ARPA Grant	569,179	0	569,179	Funds
REET/Excise Tax	555,183	0	555,183	RCW 82.46
Water	175,000	0	175,000	Columbia Bank Loan Reserve
Sewer	75,000	0	75,000	Columbia Bank Loan Reserve
Pangrazi Memorial	16,010	0	16,010	Custodial Fund
State Agency	2,668	0	2,668	Custodial Fund
<i>Totals</i>	\$2,162,887	\$117,188	\$2,280,075	

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

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 Variances
001 - Current Expense/General Fund				
Current Expense/General Fund	\$4,338,786	\$3,690,198	\$648,588	
Suncadia Property Sale	1,969,662	169,446	1,800,216	Ongoing Community Center Project
Central Cascades/Weis Land CRA 2009-01 Devel. Fund	19,340	1,166	18,174	
Cle Elum Pines West Devel. Fund	5,000	1,614	3,386	
Sun Communities CRA 2018-01 Devel. Fund	215,000	168,067	46,933	
MVOLL/Crium CRA 2005-02 Devel. Fund	6,290		6,290	
Whispering Pines Devel. Fund	7,000	4,595	2,405	
City Heights CRA 2020-01 Devel. Fund	365,010	258,612	106,398	
Fowler Creek Trails Deneen Developer Fund	25,000	1,980	23,020	
Trendwest/New Suncadia CRA 2002-01 Devel. Fund	18,775	560	18,215	
Total 001 - Current Expense/General Fund	6,969,863	4,296,238	2,673,625	
101 - Street Fund				
Street Fund	3,097,082	2,575,048	522,034	Grant Project Ongoing

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

TIB Complete Streets Grant	886,836	521,901	364,935	Grant Project Ongoing
Total 101 - Street Fund	3,983,918	3,096,949	886,969	
104 - Police 3/10's Sales Tax Fund	355,700	237,438	118,262	
106 - Tourist/Lodging Tax Fund	523,118	137,225	385,893	
110 - Coal Mine Trail Fund	37,570	1,794	35,776	
201 - General Obligation Loan/Debt Fund	44,590	43,305	1,285	
309 - REET Excise Tax/Capital Projects Fund	959,478	416,918	542,560	Projects Not Complete
401 - Water Fund				
Water Fund	1,224,084	920,500	303,584	
Water Regional Fund	1,753,450	761,773	991,677	Projects Not Complete
Water Capital Reserve Fund	408,000	8,541	399,459	
Total 401 - Water Fund	3,385,534	1,690,814	1,694,720	
402 - Sanitary Fund	1,071,800	867,407	204,393	
403 - Airport Fund	9,060	5,624	3,436	
409 - Sewer Fund				
Sewer Fund	1,195,844	883,535	312,309	
Sewer Regional Fund	1,165,488	727,583	437,905	

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

Sewer Capital Reserve Fund	852,788	14,708	838,080
Total 409 - Sewer Fund	3,214,120	1,625,826	1,588,294
630 - Pangrazi Memorial Fund	17,100	1,649	15,451
698 - State Agency Fund	36,870	23,542	13,328
Totals	\$20,608,721	\$12,444,729	\$8,163,992

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 2022 budget was amended by Ordinance #1627 on February 14, #1628 on February 14, #1629 on February 14, and #1638 on November 23, 2022, for an amount of \$1,742,600. Some of the adjustments were for the storm drain snow removal, sewer main repair, grants, and developer fees.

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

Note 3— Deposits and Investments

Investments are reported at original cost or fair value. Deposits and investments by type on December 31, 2022, are as follows:

Type of Deposit or Investment	City Deposits and Investments	Deposits & investments held by the city as custodian for other local governments, individuals, or private organizations.	Combined
Bank Deposits (FMV)	\$4,966,886	\$18,678	\$4,985,564
Money Market Investment (FMV)	118,925		118,925
2 Year Government Bond (Cost)	2,496,385		2,496,385
Cash on Hand	915		915
<i>Totals</i>	\$7,583,111	\$18,678	\$7,601,789

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

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Note 4 – 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:

- The city of Cle Elum shall be responsible for the operation, maintenance and upkeep of the Regional Elements and compliance with the City's NPDES permit.

CITY OF CLE ELUM

MCAG #0463

Notes to the Financial Statements

For the Year Ended December 31, 2022

- 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 meets at least quarterly.
- 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.

2. Related Party Transactions

The City of Cle Elum has one councilmember with a business where computer supplies are purchased. In 2022 the total purchases were \$4,242.05.

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 5 -- Leases

Contract Description	Classification	Payment	Frequency	Term in Years	Liability	Cancellation option	Beginning Balance	Additions	Reductions	Ending Balance
Police Copier 2021	Lease	92	Monthly	2	\$734	Cancelable With NO Vested Equity	\$1,742	0	\$1,008	\$734
Police Postage Meter 2018	Lease	139	Quarterly	5	557	Non-Cancelable	1,113	0	556	557
Police Huntington Cameras 2021	Lease	2,650	Monthly	5	122,879	Non-Cancelable	159,008	0	36,129	122,879
Police Axon Tasers 2019	Lease	2,760	Annually	5	2,760	Cancelable With NO Vested Equity	5,520	0	2,760	2,760
City Hall Postage Meter 2021	Lease	865	Quarterly	5	6,745	Non-Cancelable	8,820	0	2,075	6,745
City Hall Folding Machine 2021	Lease	80	Monthly	5	644	Non-Cancelable	1,689	0	1,045	644
City Hall/Library/PW/ New Copier	Lease	576	Monthly	5	30,518	Non-Cancelable	0	34,549	4,031	30,518
					\$164,837		\$177,892	\$34,549	\$47,604	\$164,837

Year	Lease Payments
2023	\$45,481
2024	40,787
2025	40,787
2026	34,903
2027	2,879
<i>Total</i>	<i>\$164,837</i>

The leases of the city include police copier, postage meter, tasers, and in car cameras. City hall leases include the postage meter, copier, and folding machine. The library and public works each have a copier lease.

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 the year ended December 31, 2022.

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

Year	Principal	Interest	Total Debt Service
2023	\$355,344	\$77,486	\$432,830
2024	318,349	69,465	387,814

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

2025	191,292	60,668	251,960
2026	197,379	53,893	251,272
2027	203,467	46,901	250,368
2028-2032	1,103,726	118,440	1,222,166
2033-2037	26,220	2,343	28,563
2038-2042	28,975	966	29,941
2043	3,060	15	3,075
<i>Totals</i>	2,427,812	430,177	2,857,989

Unused Lines of Credit

At the 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 terminated this contract on February 18, 2022.

2. Projects

A. Downtown Revitalization Project

Current Construction Estimate Remaining: \$7,300,000

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.

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

Since adopting the Preferred Alternative in 2017, approximately \$7.1 million in funding has been secured from 23 sources, including local, state, and federal programs; 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.

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. The Phase 3 design was completed in November 2021 and is “shovel-ready.”

The City secured six grants in 2021 and 2022 to construct the Phase 3A and 3B project segments. To improve economy of scale and bidder interest, and to reduce administrative costs, both phases were constructed under one First Street revitalization project. The combined First Street Downtown Revitalization Phases 3A and 3B project included 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. The project also included an overhead to underground conversion of utilities along Harris Avenue, such that the overhead crossings on First Street are eliminated. The City continues to pursue funding for future phases, including securing two additional grants for constructing the Phase 3C project segment. This phase will include improvements to the south side of First Street between Pennsylvania Avenue and Harris Avenue, and is planned for construction during the summer of 2023.

Downtown revitalization 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

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

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. City Heights Arbitration (Letter from attorney below)

Kenyon Disend, PLLC

March 1, 2023

Office of Washington State Auditor

Re: City of Cle Elum – through December 31, 2022

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). 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

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

land use permits for property within the proposed City Heights development. The parties have mediated and intend to continue 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 attorneys Kenneth Harper with Menke Jackson Beyer, LLP and Becki Ashbaugh with Ashbaugh Beal have been retained to represent the City for the potential tort claim. Informal discovery regarding the parties' claims is ongoing as part of the mediation process. Formal discovery has not yet begun.

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

Very truly yours,



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 and \$289,590 in 2022—Coronavirus Relief Funds from the American Rescue Plan Act. The city has decided to use a portion of these funds for two police officers and two patrol cars. In August of 2022, these funds were changed from fund #003 to fund #300.

5. Blake Decision

On February 25, 2021, the [Washington State Supreme Court](#) issued an opinion in [State of Washington v. Blake \(pdf\)](#), declaring [RCW 69.50.4013](#), Washington's simple possession of a controlled substance statute, violates the due process clause of the state and federal constitutions and is therefore void.

The role of the Washington State Department of Corrections is to carry out sentences imposed by courts. Corrections does not have the authority to amend or correct judgments and sentences. The department cannot unilaterally correct a judgment and sentence and must wait for the court to issue an order vacating conviction, amending judgment, dismissal or directing release. This means that further direction from the courts continues to be necessary in the process of determining next steps.

The department is working with the [Washington State Office of the Attorney General](#) to understand the decision and its potential impacts. The ruling could impact some judgements, and the Department is communicating with the [Washington Association of Prosecuting Attorneys](#) and the [Washington State Office of Public Defense](#).

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

The City does not have the information necessary to estimate any potential liability at the time, mitigation received or allocated from the state and how the city is accounting for the repayment.

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. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2022, the plan had 1 member, a retiree. As of December 31, 2022, the City of Cle Elum's total LEOFF liability was \$364,363 as calculated using the alternative measurement method.

For the year ended December 31, 2022, the City of Cle Elum paid \$22,125 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 2022 was \$5,729 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 2022 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 27 active employees. The total cost for this plan for 2022 was \$76,233.

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.

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	\$5,729
Voluntary Employees' Beneficiary Association	One Bridge Benefits	DCP	HRA VEBA	27	0	\$76,233

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:

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

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

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

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

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, 2022, the city's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities (09), was as follows:

Plan Type	Employer Contributions	Allocation Percentage	Plan Liability / Asset	NPL	NPA
PERS 1 UAAL	\$43,511	0.0071%	2,784,367,000	\$197,690	
PERS 2/3	74,175	0.009233%	(3,708,781,000)		\$(342,432)
LEOFF 1	0	0.001024%	(2,868,613,000)		(29,375)
LEOFF 2	36,123	0.017448%	(2,717,698,000)		(474,184)
VFFRPF	0	0.27%			(59,023)
<i>Totals</i>				\$197,690	\$(883,302)

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

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

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.

Levy Type	Per \$1000	Assessed Valuation	Amount
Regular Levy	1.191719	\$518,725,602	\$618,175
Fire Department Maintenance and Operation Levy (11/3/20)	0.50	518,725,602	259,363

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 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, 2022, 262 cities/towns/non-city entities participate and have enrollment 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.

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

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, Willamette Dental Group, 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 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. 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 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

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

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, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually. The City of Cle Elum's deductibles are \$25,000 for property and \$1,000 for automobile.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the daily

CITY OF CLE ELUM
MCAG #0463
Notes to the Financial Statements
For the Year Ended December 31, 2022

operations of WCIA.

Unemployment Self-Insured Coverage

The City of Cle Elum is self-insured for unemployment coverage. In 2022, there was one claim paid for a total of \$1,638 as reflected on Schedule 21.

City of Cle Elum
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.87	GO PBW Loan	6/1/2025	399,424	-	133,141	266,283
251.11	GO Debt-Fire 2003	6/1/2023	85,000	-	40,000	45,000
263.56	POLICE COPIER 2021		1,742	-	1,008	734
263.56	POLICE POSTAGE METER 2018		1,113	-	556	557
263.56	POLICE CAMERAS 2021 Pay Huntington		159,008	-	36,129	122,879
263.56	POLICE TASERS 2019 pay Axon		5,520	-	2,760	2,760
263.56	CITY HALL POSTAGE METER 2021		8,820	-	2,075	6,745
263.56	CITY HALL FOLDING MACHINE 2018		1,689	-	1,045	644
263.56	CITY HALL/LIBRARY/PW/ NEW COPIERS		-	34,549	4,031	30,518
Total General Obligation Debt/Liabilities:			662,316	34,549	220,745	476,120
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	Water/Sewer Debt--Columbia Bank 2018	12/1/2032	1,903,230	-	147,274	1,755,956
252.11	Water/Sewer Debt--Columbia Bank 2018	12/1/2032	280,770	-	21,726	259,044
252.11	DOE Sewer Loan	4/30/2042	94,117	7,413	-	101,530
259.12	Compensated Absences		251,378	-	11,315	240,063
264.3	Pension Liability		81,566	116,124	-	197,690
264.4	OPEB Liability (use LEOFF 1)		399,050	-	34,687	364,363
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,010,111	123,537	215,002	2,918,646
Total Liabilities:			3,672,427	158,086	435,747	3,394,766

City of Cle Elum
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via DEPARTMENT OF COMMERCE)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	21-62210-026	27,626	-	27,626	123
	Bulletproof Vest Partnership Program	16.607	-	3,743	-	3,743	123
Highway Planning and Construction Cluster							
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON STATE DEPARTMENT OF TRANSPORTATION)	Highway Planning and Construction	20.205	HSIP-000S-(585)	166,118	-	166,118	123
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON STATE DEPARTMENT OF TRANSPORTATION)	Highway Planning and Construction	20.205	STPR-0220(004)	70,704	-	70,704	123
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON STATE DEPARTMENT OF TRANSPORTATION)	Highway Planning and Construction	20.205	STPR-0903(078)	678,580	-	678,580	123
Total Highway Planning and Construction Cluster:				915,402	-	915,402	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	6,371	-	6,371	123

The accompanying notes are an integral part of this schedule.

FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WASHINGTON MILITARY DEPARTMENT)	Hazard Mitigation Grant	97.039	D21-027 FEMA DR-5182-23-R	34,541	-	34,541	-	123
	Hazard Mitigation Grant	97.039	D21-023	17,523	-	17,523	-	1,2,3
Total ALN 97.039:				52,064	-	52,064	-	
Total Federal Awards Expended:				995,092	10,114	1,005,206	-	

The accompanying notes are an integral part of this schedule.

City of Cle Elum MCAG #0463

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Note 1 -- This schedule is prepared on the same basis of accounting as the City of Cle Elum's financial statements. The City of Cle Elum uses the cash basis of accounting.

Note 2 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the City of Cle Elum's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov