



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Leavenworth

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

Published September 18, 2023

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

September 18, 2023

Mayor and City Council
City of Leavenworth
Leavenworth, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Leavenworth January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
10.760	Water and Waste Disposal Systems for Rural Communities

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

City of Leavenworth January 1, 2022 through December 31, 2022

Mayor and City Council
City of Leavenworth
Leavenworth, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Leavenworth, as of and for the 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 31, 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 style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

August 31, 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 Leavenworth January 1, 2022 through December 31, 2022

Mayor and City Council
City of Leavenworth
Leavenworth, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Leavenworth, 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, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

August 31, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Leavenworth January 1, 2022 through December 31, 2022

Mayor and City Council
City of Leavenworth
Leavenworth, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Leavenworth, 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 Leavenworth, 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 Leavenworth, 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 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 31, 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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

August 31, 2023

City of Leavenworth
January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to 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 Leavenworth
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 Current Expense	101 Streets	102 Transportation Benefit District
Beginning Cash and Investments					
308	Beginning Cash and Investments	18,836,589	4,676,258	1,765,482	730,753
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	9,227,087	3,204,368	1,178,407	614,345
320	Licenses and Permits	306,284	306,284	-	-
330	Intergovernmental Revenues	2,456,596	367,031	542,199	-
340	Charges for Goods and Services	5,491,021	253,039	-	-
350	Fines and Penalties	12,895	835	-	-
360	Miscellaneous Revenues	2,102,058	79,806	13,654	10,835
Total Revenues:		<u>19,595,941</u>	<u>4,211,363</u>	<u>1,734,260</u>	<u>625,180</u>
Expenditures					
510	General Government	1,005,438	877,710	-	-
520	Public Safety	837,909	837,909	-	-
530	Utilities	3,260,252	131,652	-	-
540	Transportation	1,724,206	-	839,384	-
550	Natural/Economic Environment	2,733,741	549,215	-	-
560	Social Services	29,563	29,563	-	-
570	Culture and Recreation	1,143,518	911,253	-	-
Total Expenditures:		<u>10,734,627</u>	<u>3,337,302</u>	<u>839,384</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		8,861,314	874,061	894,876	625,180
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	300	-	-	-
397	Transfers-In	637,951	-	338,974	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	390,121	383,691	-	-
Total Other Increases in Fund Resources:		<u>1,028,372</u>	<u>383,691</u>	<u>338,974</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,302,384	39,204	766,528	-
591-593, 599	Debt Service	1,277,193	-	72,688	-
597	Transfers-Out	637,951	-	-	338,974
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	176,102	44,691	-	-
Total Other Decreases in Fund Resources:		<u>5,393,630</u>	<u>83,895</u>	<u>839,216</u>	<u>338,974</u>
Increase (Decrease) in Cash and Investments:		4,496,056	1,173,857	394,634	286,206
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	7,605,399	566,945	-	1,016,959
50841	Committed	2,259,615	99,500	2,160,115	-
50851	Assigned	8,687,771	403,812	-	-
50891	Unassigned	4,779,863	4,779,863	-	-
Total Ending Cash and Investments		23,332,648	5,850,120	2,160,115	1,016,959

The accompanying notes are an integral part of this statement.

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

		104 Lodging Tax	107 P.W. Capital Improvement	176 Community Swimming Pool	203 2013 G.O. Bond
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,243,053	1,125,187	173,301	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	3,740,451	317,816	171,700	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	101,981	-	-	-
340	Charges for Goods and Services	-	-	74,318	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	33,124	15,806	4,429	-
Total Revenues:		<u>3,875,556</u>	<u>333,622</u>	<u>250,447</u>	<u>-</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	2,184,526	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	232,265	-
Total Expenditures:		<u>2,184,526</u>	<u>-</u>	<u>232,265</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		1,691,030	333,622	18,182	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	188,313
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	188,313
Other Decreases in Fund Resources					
594-595	Capital Expenditures	397,364	-	1,366	-
591-593, 599	Debt Service	143,581	-	222	188,313
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	20,348	-
Total Other Decreases in Fund Resources:		<u>540,945</u>	<u>-</u>	<u>21,936</u>	<u>188,313</u>
Increase (Decrease) in Cash and Investments:		1,150,085	333,622	(3,754)	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,393,140	1,458,809	169,546	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		4,393,140	1,458,809	169,546	-

The accompanying notes are an integral part of this statement.

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

		<u>204 LID Guaranty</u>	<u>205 LID-24</u>	<u>402 Garbage</u>	<u>403 Water</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	84,364	31	120,068	1,261,027
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	130,792
340	Charges for Goods and Services	-	-	694,107	1,844,138
350	Fines and Penalties	-	-	-	6,030
360	Miscellaneous Revenues	-	41	7,634	13,978
Total Revenues:		-	41	701,741	1,994,938
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	744,789	1,146,718
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	744,789	1,146,718
Excess (Deficiency) Revenues over Expenditures:		-	41	(43,048)	848,220
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	13,150	97,514	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		13,150	97,514	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	11,847	595,537
591-593, 599	Debt Service	-	97,586	-	314,990
597	Transfers-Out	97,514	-	-	4,208
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		97,514	97,586	11,847	914,735
Increase (Decrease) in Cash and Investments:		(84,364)	(31)	(54,895)	(66,515)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	65,172	1,194,511
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	-	65,172	1,194,511

The accompanying notes are an integral part of this statement.

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

		404 Sewer	410 Stormwater	415 Parking	501 Equip Rental & Revolving Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,844,790	148,243	1,029,017	635,015
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,314,593	-	-	-
340	Charges for Goods and Services	1,636,759	138,918	-	702,816
350	Fines and Penalties	6,030	-	-	-
360	Miscellaneous Revenues	22,620	2,107	1,888,123	9,901
Total Revenues:		<u>2,980,002</u>	<u>141,025</u>	<u>1,888,123</u>	<u>712,717</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	1,156,085	81,008	-	-
540	Transportation	-	-	436,716	448,106
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>1,156,085</u>	<u>81,008</u>	<u>436,716</u>	<u>448,106</u>
Excess (Deficiency) Revenues over Expenditures:		<u>1,823,917</u>	<u>60,017</u>	<u>1,451,407</u>	<u>264,611</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	300	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	6,430
Total Other Increases in Fund Resources:		<u>300</u>	<u>-</u>	<u>-</u>	<u>6,430</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,281,016	-	103,506	92,156
591-593, 599	Debt Service	423,421	5,355	-	25,697
597	Transfers-Out	8,942	-	188,313	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	111,063	-
Total Other Decreases in Fund Resources:		<u>1,713,379</u>	<u>5,355</u>	<u>402,882</u>	<u>117,853</u>
Increase (Decrease) in Cash and Investments:		<u>110,838</u>	<u>54,662</u>	<u>1,048,525</u>	<u>153,188</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	3,955,626	202,905	2,077,543	788,202
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		<u>3,955,626</u>	<u>202,905</u>	<u>2,077,543</u>	<u>788,202</u>

The accompanying notes are an integral part of this statement.

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

		502 Central Services
Beginning Cash and Investments		
308	Beginning Cash and Investments	-
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	146,926
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		146,926
Expenditures		
510	General Government	127,728
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		127,728
Excess (Deficiency) Revenues over Expenditures:		19,198
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	13,860
591-593, 599	Debt Service	5,340
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		19,200
Increase (Decrease) in Cash and Investments:		(2)
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	-
50841	Committed	-
50851	Assigned	-
50891	Unassigned	-
Total Ending Cash and Investments		-

The accompanying notes are an integral part of this statement.

CITY OF LEAVENWORTH

2022 NOTES TO FINANCIAL STATEMENTS

January 1, 2022 through December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Leavenworth was incorporated on September 5, 1906 and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a Mayor-Council form of Government. The City of Leavenworth is a general-purpose local government and provides the following services: administrative, police (contracted through Chelan County), fire protection (contracted through Fire District #3), library (through the North Central Regional Library District), cemetery, parks and recreation, street/parking maintenance and improvement, and garbage collection. In addition, the City owns and operates its own water, sewer and stormwater systems.

The City of Leavenworth reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting 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 9 – Related Parties).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

Current Expense (General) Fund (001)

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

Special Revenue Funds (100-199)

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

Debt Service Funds (200-299)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

Internal Service Funds (500-599)

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

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3, Deposits and Investments.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 30 days for a prospective retiree (within four years of retirement). Otherwise, up to 22 days for Public Works and Office Staff and 11 days for Returning Seasonal Staff may be carried over from year to year at the employee's request. Non-Union Exempt employees may accumulate up to 40 days for annual carryover. Upon separation or retirement, employees are compensated for accrued and unused vacation time. As of December 31, 2022, the total payout liability of all employees for vacation leave totals \$129,498.70.

Sick leave may accumulate up to 1200 hours. Upon separation or retirement, employees having at a minimum of five years of employment with the City may receive payment of unused leave, up to 240 hours. As of December 31, 2022, the total payout liability of eligible employees for sick leave totals \$94,798.43.

Compensatory leave may accumulate for union employees to a maximum of 40 hours and should not be carried over in any given year without prior authorization by the City Administrator; generally, any accrued comp time is paid out with the final year end check. Upon separation or retirement, employees are compensated for accrued and unused comp time. As of December 31, 2022, the total payout liability of all employees for compensatory leave totals \$0.00.

All leave payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6, Long-Term Debt.

G. Restricted and Committed Portion of Ending Cash and Investments

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

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

FUND 001 – In 2019, the City Council adopted Ordinance 1603 and Resolution 19-2019 with specific purposes of restricting funds within the Current Expense (General) Fund. Ordinance 1603 restricts \$49,500 for the purpose of surplusing right-of-way at the wastewater treatment plant facility and is identified with the following requirement: The City of Leavenworth shall pay the fair market value of the property established by the appraisal to be held by the City and used by the City only for acquiring additional beach or water access, acquiring additional public view sites to a body of water, or acquiring additional moorage or launching sites. Resolution 19-2019 restricted \$480,000, the final proceeds of the sale of two Golf Course Lots; the resolution contains the following requirements: Upon the sale of all or individually, the Golf Course Properties (9139, 9125, and 9111 Icicle Road), the City of Leavenworth City Council directs the City Finance

Director to establish a restricted fund balance within the City's General fund to account for the funds received from the sale of properties. Those funds shall be used for the acquisition of property by the City for additional park land or land for recreational use by the citizens of Leavenworth. The City sold two of the three lots in calendar year 2019; the third lot sold in January 2022. Resolution 4-2021 was approved by Council on March 9, 2021 releasing \$430,000 of the original \$480,000 for the purchase of the Osborn School Site for recreational purposes; this leaves a balance of \$50,000 still committed per Resolution 19-2019. Due to the nature of the COVID-19 Stimulus Funds provided to agencies in 2021 and 2022 from the Federal Government, these funds received have been reported as restricted at this time until the Council determines the use of funds; this currently totals \$566,945. Restricted and Committed Fund Balances on December 31, 2022 was \$666,445.

FUND 101 – Ordinance No. 1093 passed in 1998 created the purpose of the Street Fund into which moneys shall be placed for the purpose of constructing and maintaining arterial highways and city streets, or for the payment of any municipal indebtedness which may be incurred in the construction, improvement, chip sealing, seal-coating, repair and maintenance of arterial highways and city streets. This fund may also receive dedicated revenues from real estate excise taxes and Leavenworth Transportation Benefit taxes both of which require reserving these funds for street related capital improvements if they have gone unspent after transferred. Committed Fund Balance on December 31, 2022 was \$2,160,114.95 with \$0.00 Restricted.

FUND 102 – The Transportation Benefit District Fund was assumed by the City of Leavenworth in December 2018 by RCW 36.74. Previously these funds were held in a Custodial Fund. These funds are restricted by State Law – RCW 36.73, for transportation related capital improvements. Fund Balance on December 31, 2022 was \$1,016,959.13.

FUND 104 – Ordinance No. 1051 passed in 1997 established the Lodging Tax Fund for the City. These funds are generated by revenue from transient lodging tax and used for the construction of tourist facilities or for tourist promotion within the meaning of RCW 35.21.700 and RCW 67.28.1815 and bears on the tourist expansion in the City of Leavenworth or the areas adjacent to the City of Leavenworth which bear upon its economic condition. Fund Balance on December 31, 2022 was \$4,393,139.55.

FUND 107 – The Public Works Capital Improvement Fund generated by real estate excise taxes as imposed by the state under chapter 82.46 RCW. Fund Balance on December 31, 2022 was \$1,458,808.90.

FUND 176 – The Community Swimming Pool Fund was established as a restricted fund due to the majority of revenues received coming from the Upper Valley Park & Recreation Service Area (UVPRSA Special Purpose District). The UVPRSA collects the revenues through a voter approved maintenance and operations levy that may only be funded for the operation of the pool facility at this time; funds are requested by the City from the UVPRSA and deposited directly into the Community Swimming Pool Fund. Fund Balance on December 31, 2022 was \$169,546.33.

FUNDS 204 & 205 – The LID Guaranty Fund & LID 24 Fund, which are debt service funds. Debt service funds are typically restricted due to the nature of these funds being reserved specifically

for payment on current and future debt and are not generally classified as restricted; however, due to the issuing bank covenants to create and maintain the LID Guaranty Fund with a specific reserve balance and creation of the LID 24 Fund noting restrictions for debt payments to the bank, these are being included for transparency purposes. In 2022 the City completed the payment of the loan and as such these funds will be closed out beginning in 2023. Fund Balances on December 31, 2022 for the LID Guaranty is \$0 and the LID 24 is \$0 for a combined total of \$0.

TOTAL BALANCE of all restricted and committed funds is \$9,865,013.86.

NOTE 2: BUDGET COMPLIANCE

The City of Leavenworth adopts biennial appropriated budgets for all funds, which includes the Current Expense (General), Streets, Transportation Benefit District, Lodging Tax, P.W. Capital Improvement, Leavenworth Civic Center, Community Swimming Pool, 2013 G.O. Bond, LID Guaranty, LID 24, Garbage, Water, Sewer, Water Bond Reserve, Sewer Bond Reserve, Stormwater, Parking, Equipment Rental & Revolving, Central Services, and Cemetery Endowment. These budgets are appropriated at the fund level including use of ending fund reserved and unreserved balances unless otherwise noted. The budget constitutes the legal authority for expenditures at that level. Any managerial funds are combined with the appropriate fund for reporting purposes only, as required by the BARS manual; these would include the Leavenworth Civic Center (Fund 110) and the Cemetery Endowment Fund (Fund 601) being included within the Current Expense (General) Fund (001); the Water Bond Reserve Fund (405) being included in the Water Fund (403); and the Sewer Bond Reserve Fund (406) being included in the Sewer Fund (404). Interfund activity between managerial funds is eliminated. Biennial appropriations for all funds lapse at the fiscal year end of the second year of the Biennial Budget. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted 2021-2022 combined budgets were as follows as of December 31, 2022:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Current Expense (General) Fund	\$16,764,037.00	\$ 6,984,232.52	\$ 9,779,804.48
Leavenworth Civic Center	\$ 402,802.00	\$ 229,385.75	\$ 173,416.25
Cemetery Endowment Fund	\$ 638,216.00	\$ 0.00	\$ 638,216.00
Streets Fund	\$ 6,845,039.00	\$ 2,492,211.81	\$ 4,352,827.19
Transportation Benefit District Fund	\$ 2,359,830.00	\$ 569,262.00	\$ 1,790,568.00
Lodging Tax Fund	\$12,342,674.00	\$ 4,583,438.85	\$ 7,759,235.15
P.W. Capital Improvement Fund	\$ 2,588,105.00	\$ 300,000.00	\$ 2,288,105.00
Community Swimming Pool Fund	\$ 926,169.00	\$ 524,237.51	\$ 401,931.49
2013 GO Bond Fund	\$ 374,926.00	\$ 374,926.00	\$ 0.00
LID Guaranty	\$ 181,879.00	\$ 97,514.22	\$ 84,364.78
LID-24	\$ 802,644.00	\$ 802,189.59	\$ 454.41
Garbage Fund	\$ 1,628,669.00	\$ 1,453,596.34	\$ 175,072.66
Water Fund	\$ 6,771,025.00	\$ 4,545,529.65	\$ 2,225,495.35
Water Bond Reserve Fund	\$ 264,048.00	\$ 0.00	\$ 264,048.00

Sewer Fund	\$34,728,945.00	\$ 21,483,767.32	\$13,245,177.68
Sewer Bond Reserve Fund	\$ 404,048.00	\$ 0.00	\$ 404,048.00
Stormwater Fund	\$ 494,484.00	\$ 160,816.82	\$ 333,667.18
Parking Fund	\$ 4,554,202.00	\$ 1,438,804.72	\$ 3,115,397.28
Equip Rental & Revolving Loan Fund	\$ 2,454,633.00	\$ 998,522.91	\$ 1,456,110.09
Central Services	\$ 318,509.00	\$ 310,647.52	\$ 7,861.48
TOTAL	\$95,844,884.00	\$47,349,083.53	\$48,495,800.47

The department head in conjunction with the Finance Director is authorized to transfer budgeted amounts between fund/object classes within any department within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Leavenworth's legislative body. Due to the nature of biennial budgeting for major services or capital projects, unexpended appropriated amounts in the first year of the biennium may be removed in the first year and added to the second year so long as they are equal transfers.

NOTE 3: DEPOSITS AND INVESTMENTS

Investments are reported at amortized cost meaning interest earnings are recorded when earned for the Local Government Investment Pool and Cashmere Valley Bank Money Market Accounts. Investments are reported at fair market value meaning unrealized changes in fair value are recorded as interest revenue or losses at month end for U.S. Government Securities. Deposits and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	Leavenworth's own deposits and investments	Deposits and investments held by Leavenworth as custodian for other local governments, individual or private organizations.	Total
Bank Deposits	\$ 310,246.61	\$0.00	\$ 310,246.61
L.G.I.P.	\$ 135,465.58	\$0.00	\$ 135,465.58
Cashmere Valley Bank MM	\$16,984,857.93	\$0.00	\$16,984,857.93
U.S. Government Securities	\$ 5,902,077.22	\$0.00	\$ 5,902,077.22
Total	\$23,332,647.34	\$0.00	\$23,332,647.34

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

Investments in the State Local Government Investment Pool (LGIP)

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

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

Custodial Credit Risk

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

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

NOTE 4: PROPERTY TAX

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

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

The City of Leavenworth's regular levy for 2022 was \$1.0371961732 per \$1,000 on an assessed valuation of \$663,829,445 for a total regular levy of \$688,521.36.

NOTE 5: INTERFUND LOANS

The following table displays interfund loan activity during 2022; payments and balances include principle only. Interest is charged for short-term loans at the current rate of the LGIP or as defined by resolution and is typically paid back at the time of the principal payment; in the case of a multi-year interfund loan, interest is typically paid by December 31 of each year.

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

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
Pool	Current Expense	\$20,348	\$0	\$20,348	\$0
TOTALS		\$20,348	\$0	\$20,348	\$0

NOTE 6: LONG-TERM DEBT

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Leavenworth and summarizes the City’s debt transactions for year ended December 31, 2022. The debt service requirements for general obligation bonds, revenue bonds, special assessment bonds, and public works loans from the Departments of Ecology and Commerce are as follows:

Year	Principle	Interest	Total Debt
2023	880,639	266,597	1,147,236
2024	771,486	249,363	1,020,849
2025	779,510	233,399	1,012,909
2026	682,777	217,203	899,981
2027	640,878	201,398	842,276
2028-2032	2,708,845	808,155	3,517,000
2033-2037	1,809,930	564,133	2,374,063
2038-2042	1,475,897	463,218	1,939,115
2043-2047	1,570,475	368,640	1,939,115
2048-2052	1,671,115	268,000	1,939,115
2053-2057	1,778,203	160,912	1,939,115
2058-2062	1,498,831	47,029	1,545,860
TOTALS	\$16,268,586	\$3,848,047	\$20,116,633

NOTE 7: PENSION PLANS

A. State Sponsored Pension Plans

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

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2022, the City of Leavenworth's proportionate share of the collective net pension liabilities (assets) was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$86,998	0.014195%	\$395,241
PERS 2/3	\$148,362	0.018467%	\$(684,901)

NOTE 8: RISK MANAGEMENT

The City of Leavenworth is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 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. 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 day-to-day operations of WCIA.

Risk Pool Financial Statements are available for WCIA via the following link:
<https://www.wciapool.org/158/Reports>.

NOTE 9: RELATED PARTIES

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

NOTE 10: LEASES (Lessees)

For the year ending December 31, 2022, the City of Leavenworth recognizes the need to present and disclose information related to leases that the City enters into that exceed a one-year period, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities. The City of Leavenworth currently has two areas of leases that includes land and equipment.

Land Lease - The City of Leavenworth leases land located at the end of 9th Street for downtown winter snow storage lease agreement from property owner Robert K. Johnson at a rate of \$12,000 per year, for two years as identified in the table below, which is effective as of November 1, 2022 for the winters of 2022-2023 and 2023-2024. This agreement includes options to continue with annual one-year renewals with the same terms and a termination agreement that must be noticed within four months prior to the agreement end date, which is July 1 prior to the end date of October 31 of any given year.

Equipment Leases - The City of Leavenworth leases two copiers and has a service only lease contract for a large format printer with Ricoh. Each contract has specific terms of service and rates as identified in the chart below. Each contract follows specific termination clauses that requires severe penalties for early termination, specifically that the entire lease would be paid in full if terminated prior to its end date. The City of Leavenworth leases a mail postage machine from Quadient Leasing as identified in the chart below. This lease is unconditional and noncancelable requiring severe penalties for early termination, specifically that the entire lease would be paid in full if terminated prior to its end date; additionally, this lease will auto-renew for 3-month periods thereafter at the same rates and requires a 90-day notice on the initial term and 30-day notice on the auto-renewal terms prior to termination acceptance.

Lease Type	Term of Lease	Lease End Date – No Auto-Renewal	2022 Yearly Lease Total Paid (no tax inc)
Land – Snow Storage	24 Months (2 Years)	October 2024	\$12,000.00
City Hall Copier	48 Months (4 Years)	May 2026	\$3,983.73
Public Works Copier	60 Months (5 Years)	May 2025	\$782.08
City Hall Format Printer	60 Months (5 Years)	January 2026	\$540.00
City Hall Mail Machine	63 Months (5 Years/3Months)	June 2026	\$815.52
Total			\$18,121.33

The total amount paid for all leases combined in 2022 was \$18,121.33 less taxes. As of December 31, 2022, the future lease payments for each remaining year are as follows:

Year Ended December 31	Total
2022	\$18,121.33
2023	\$17,808.36
2024	\$5,808.36
2025	\$5,266.92
2026	\$1,447.52
Total	\$48,452.49

NOTE 11: OTHER DISCLOSURES

Extraordinary & Subsequent Events

An Extraordinary event occurred on January 5, 2022 that had operational and financial impacts through the month of January due to a significant snow storm event that affected much of the State of Washington, including major transportation routes from avalanches. The City of Leavenworth received over four feet of snow in a 48-hour period that shut-down all transportation within and around the City for nearly four days, including local, county and state access routes. The Leavenworth City Council, under the Mayor’s direction and declaration of an emergency proclamation, authorized the use of up to \$500,000 to bring in contracted services to assist with the removal and clean-up of the snow within the city limits. Three contractors were acquired and provided support over the first two to three weeks after this event with a total cost of just over \$400,000. Funding was provided from the City’s Street Fund in support of snow removal in city facilities and some arterial streets in the residential zones while Lodging Tax Funds supported removal of the snow along the Highway 2 corridor and commercial business-related streets within the downtown core. The City subsequently received a funding reimbursement of \$135,974.83 for this infrequent occurrence from the Federal Emergency Management Agency (FEMA) through a cooperative application with other local, county and state agencies; these funds are reported within the Schedule 16 - Schedule of Federal Awards.

In September 2022, the City received a counterclaim regarding the Oktoberfest Festival filed by Projekt Bayern Association; at the time of notice, the City anticipated a significant potential in costs that would exceed insurance coverage limits and as such planned for expenses in excess of \$500,000 in 2023 and \$500,000 in 2024. This extraordinary event has subsequently been settled; as of May 10, 2023 total costs for this lawsuit was \$158,505.78 with final invoices anticipated.

Significant Commitments or Obligations

Construction Commitments: The City of Leavenworth has active major projects as of December 31, 2022. Below is the list of major projects, minor capital related projects of less than \$100,000, not including tax, are not included. Projects that are budgeted specifically in 2024 (second half of current biennium) that have not been initiated are not included below. At year-end the City’s commitments with projects, engineers and contractors are as follows:

Project #	Project	Spent to Date	Remaining Commitment	Future Financing Needed
1.	DOT Parking	\$103,506	\$2,200,000	No – see comments
2.	Wastewater Treatment Plant	\$14,044,658	\$5,682,943	No – see comments
3.	Osborn Elementary	\$622,216	\$500,000	TBD – see comments
4.	Front Street Restrooms/ Downtown Master Plan	\$0	\$950,000	TBD – see comments
5.	Water System Plan, WTP Basement Improvements / Source Swap / Drought Planning	\$96,373	\$662,065	Yes – see comments

6.	Water Well Improvements - Fencing	\$0	\$220,000	No – see comments
7.	Pine Street Phase II	\$75,650	\$125,000	Yes – see comments
8.	Lions Club Park Improvements	\$0	\$300,000	TBD – see comments
9.	Ski Hill Sidewalk	\$30,001	\$362,899	No – see comments
10.	Chumstick-Titus Multiuse Trail	\$0	\$150,000	TBD – see comments
11.	Orchard Street	\$0	\$1.7M	TBD – see comments
12.	Equipment Replacements	\$0	\$1.9M	Yes – see comments
13.	A Place for Alice	\$0	\$941,340	Yes – see comments
14.	Water Main Transmission Line – Wells to Icicle Road	\$0	\$330,000	Yes – see comments
15.	Streets – Annual Maintenance / Preservation & Sweeper Material Disposal	\$4,340	\$310,000	No – see comments
16.	Waterfront Restroom Sewer Relocation	\$123,952	\$469,372	No – see comments

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

- Project 1:** The City has been continuing ongoing project improvements related to parking over the past several years; in 2019 the City completed the purchase of land known as the DOT Parking Lot for a total of \$479,176 from parking cash reserves; in 2020 temporary improvements were made totaling \$47,356. This project is now underway with engineering and design and is anticipated to be approximately \$2.3M in improvements for 2022-2023 that includes a full paved and paid parking lot with lighting, landscaping, and a public restroom facility.
- Project 2:** The Wastewater Treatment Plant (WWTP) also known as the TMDL (Total Maximum Daily Load) improvements for reducing phosphorus discharges into the river was required by the Department of Ecology for implementation by 2020 for the plant specific improvements. The City has been expending funds on this project since 2016. At this time, the City is working on the project in phases with full engineering/design work being completed by Varela & Associates on the final Phase III portion of the project. In 2017, the City acquired approval of funding through the USDA Rural Development Program for \$10,670,000 in loan funding and \$3,270,000 in grant funding to complete the WWTP upgrades and assist in the City Shop and other vicinity building improvements; as of 2019, no funds had been acquired/spent. In 2020, the City requested an increase from the USDA for a total project cost of \$19,506,000 which includes \$12,146,000 in loan funding, \$7,237,000 in grant funding and a city match requirement of \$123,000. Prior to the City getting underway with construction, the City found the need to add an emergency upgrade to the Pista Grit Removal System that was failing; this added an additional cost of \$221,601 to the capital related improvements and was paid for out of the City's Wastewater Fund cash reserves bringing the grand total cost to \$19,727,601. As of December 31, 2021, the City had expended the \$12,146,000 in the loan funding on Phase I and Phase II and

began use of the grant funds with expenses totaling \$1,554,057 by December 31, 2022; remaining grant funds of \$5,682,943 are anticipated to complete final costs of Phase I retainage and Phase III by 2024.

- **Project 3:** Osborn Elementary – In June of 2020 the City began discussions of the purchase of this School District property that included a reimbursement of \$100,000 to the City for the past removal of a Skatepark; this agreement has been ongoing since late 2015 and included a right of first refusal to purchase the property. The City finalized negotiations of the purchase in March of 2021 for a total purchase price of \$622,216. At this time, the City has completed a visioning process with the Community to determine the future use of this property and partial demolition of the existing facility is the current proposed plan with estimated funding of \$500,000 to come from the City’s General Fund. Future costs are unknown at this time for further facility and playground equipment improvements and will be identified in future years as planning for this demolition project develops.
- **Project 4:** Front Street Restrooms / Downtown Master Plan – The City has a master plan that was designed in 2009 to implement improvements through phased projects of which several were completed by 2015. Between 2015 and 2020 the City’s Downtown Steering Committee discussed and reviewed a future Royal Lady Plaza on Front Street, expansion of the Front Street restrooms, and a redesign of the Front Street Park that is adjacent to the restrooms. A donation of \$30,000 was provided by the Theodore H. Price Family Trust in 2015 to assist in the design and construction of a memorial for Ted Price and Bob Rodgers that has not yet been utilized. Throughout these years, many reiterations of the project developed and were eventually postponed in 2020 due to COVID-19; the City made changes to do a temporary closure to vehicular traffic on Front Street starting in the summer of 2020 as continued efforts have been explored. In 2022 the City Council authorized conducting a feasibility study of the long-term commitment to close down a portion of Front Street as a walking plaza. In 2023 the City entered into a new design phase to expand the restrooms and consider some minor modifications to the Front Street Park footprint and stairway. In developing the 2023-2024 budget, the City incorporated \$950,000 for the potential construction of the restroom expansion with funding currently identified in the Lodging Tax Fund due to the tourism need of this project. The current design phase is underway with a total cost of \$207,260 of the \$950,000. The Downtown Steering Committee continues to explore options and the feasibility of a full project; therefore, future total buildout costs of this project are yet to be determined.
- **Project 5:** Water System Plan, WTP Basement Improvements / Source Swap / Drought Planning Improvements – The City began a new update to the Water System Plan in 2022 and is working on a source swap feasibility and conservation drought planning effort in conjunction with the goal to identify future major capital improvements needed to the Water Plant, wells, and mainlines. These efforts are ongoing in conjunction with other leak detection and mitigation efforts, such as the completion of citywide meter replacements between 2020 and 2022. In prior year planning efforts, several alternatives were provided to the City Council with varying cost estimates ranging from \$1M for immediate necessary improvements to an average of \$7.5M to upgrade the Treatment Plant. Mainline improvements were identified at a cost of \$3.25M for a total project of

\$10.75M; these costs were provided in 2019 and are anticipated to be greater once new analysis is completed. At this time, the City has been working on necessary, yet temporary, improvements for the Water Treatment Plant basement while the total project is further developed and funding is secured with anticipation to proceed with major improvements starting in 2025 through 2028. As of December 31, 2022, costs incurred for the planning and temporary improvements total \$96,373.05 with a balance of \$662,065 for 2023 to complete further analysis and temporary plant improvements. Of this balance the City has secured grant funding from the Icicle Work Group totaling \$550,000 while remaining funds will come from the Water Fund reserves.

- **Project 6:** The Water Well Improvements Fencing Project consists of fencing the City's Well site from public access. This project is funded in the General Fund, possibly utilizing ARPA grant funds, the Lodging Tax Fund, to deter visitor access, and Water Fund Reserves. Total project cost is estimated at \$220,000.
- **Project 7:** The Pine Street Phase II Project is a future project that the City has acquired grant funding from the Chelan-Douglas Transportation Council (CDTC) that will be administered through the Washington State Department of Transportation (WSDOT). This project is a continuation of the Pine Street Phase I Project that was completed between 2015 and 2020. The Phase II funding is for preliminary review of the project area to determine the feasibility of future design from Titus and Pine Street to the entrance on the Chumstick Highway directly adjacent to Highway 2. Total funding of \$125,000 consists of \$105,000 from the Federal Surface Transportation Block Grant (STBG) funds and \$20,000 as city match. This project funding was awarded in August 2019 and was approved to proceed in 2022-2023. Future costs to implement improvements is estimated to be \$4M-\$5M of which funding may need to be acquired if reserves are not sufficient.
- **Project 8:** The Lions Club Park Improvements Project is a future project to replace a Gazebo/Shelter in this park that is located adjacent to City Hall. In 2021, due to safety concerns, the City removed the previous structure and has incorporated \$300,000 in the City's General Fund for 2023 to consider replacement of this structure. This project is currently on hold as staffing is considered for project support and the potential to consider a new indoor/outdoor Community Pool and Recreation Center.
- **Project 9:** The Ski Hill Sidewalks Project is a future project for 2023 that the City has acquired \$334,000 in TIB funding and city match costs of \$58,900 from the City's Transportation Benefit District (TBD) funds for a total project cost of \$392,900. This project is underway for engineering and design in 2022 with construction planned for 2023 to fill in sidewalk gaps along Ski Hill Drive from Evans Street to Highway 2. Current costs expended is \$30,001.
- **Project 10:** The Chumstick-Titus Multiuse Trail is a future project that will be explored as the adjacent property owners develop new housing units. The City currently has allocated \$150,000 for the exploration of the multi-use trail that will run along the development area. In addition, the City will explore with the developer a future street access from Titus Road to the Chumstick Highway, providing for a secondary access to

the state highways from the City's northern section of urban growth area. Full funding for the installation of the trail and street projects are yet to be determined.

- **Project 11:** The Orchard Street Project is a future project estimated at \$1.7M to replace the surface street and underlying utilities and possible sidewalk additions. This project is currently in the development stages and the City may utilize \$400K received from the Federal Stimulus funds from the American Rescue Plan Act (ARPA) within the City's General Fund as well as seeking additional grant funds from other state agencies and existing Street Fund reserves; total project costs are yet to be determined.
- **Project 12:** The Equipment Replacements Project is a future acquisition of funding to replace two old and obsolete International Dump Trucks for snow removal, a Sewer Vector Truck and a Street Sweeper all of which are anticipated to be about \$1.6M. This is being included as a project at this time due to the magnitude of costs that are estimated to be approximately \$1.9M in total equipment for 2023; additional equipment includes replacing a loader, adding a utility trailer, and additional heavy equipment parts for existing equipment and snow blowers. The City anticipates bonding in 2023 for the \$1.6M request through the State's LOCAL Program that provides funding at very low interest rates.
- **Project 13:** A Place for Alice is a combination of future projects that the City received federal grant appropriations through Congresswoman Kim Schrier's Office in 2021; at this time the City is reviewing official clarification on the funding of the \$941,340 allocation and use requirements in order to proceed. Although the funding doesn't cover each project fully, the application included the following project requests: \$348,000 for a three-home permanently affordable homeownership pilot project; \$313,200 for community pool upgrades (enclosure of the pool); \$104,000 toward an ADA playground; \$104,000 toward improving sports fields; and \$71,340 toward YouthBuild for a carpentry apprentice program; at this time, it is unknown if any of this funding will be acquired and utilized.
- **Project 14:** The Water Main Transmission Line – Wells to Icicle Road Project is in conjunction with a gateway tourist entrance and roundabout with LINK Transit located at Icicle Road and Highway 2. This project consists of utilizing \$120,000 from Lodging Taxes to assist in engineering and design work of the tourist gateway entrance and will offset LINK's costs for including the existing water mainline running through this area. \$200,000 will be funded through a loan that will be paid for by the Water Fund to upsize the mainline during construction.
- **Project 15:** The Streets – Annual Maintenance / Preservation & Sweeper Material Disposal includes funding of \$110,000 budgeted annually to maintain and preserve existing streets with minor paving and/or overlay repair work. The sweeper material disposal is budgeted at \$200,000 to remove a large pile of sweeper waste that has been collected and will be a one-time removal project as this will become an annual maintenance item in the future.

- **Project 16:** The Waterfront Restroom Sewer Relocation Project began in 2022 with engineering and design with anticipated construction in 2023; total costs spent as of December 31, 2022 was \$123,952 and the remaining budget allocation is \$469,372.

**City of Leavenworth
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						
251.11	General Obligation Non-Voted 11/22/2011	12/1/2026	265,000	-	50,000	215,000
263.96	General Obligation Non-Voted 3/19/2013	6/1/2023	47,436	-	23,125	24,311
251.22	General Obligation Voted 9/5/2013	12/1/2028	765,000	-	100,000	665,000
251.11	General Obligation Non-Voted 9/5/2013	12/1/2028	70,000	-	10,000	60,000
251.11	General Obligation Non-Voted 9/5/2013	12/1/2033	1,685,000	-	115,000	1,570,000
Total General Obligation Debt/Liabilities:			2,832,436	-	298,125	2,534,311
Revenue and Other (non G.O.) Debt/Liabilities						
263.84	Proprietary - DWSRF Loan 10/27/2004	10/1/2023	159,689	-	79,845	79,844
263.84	Proprietary - DWSRF Loan 10/21/2008	10/1/2025	348,533	-	87,133	261,400
263.88	Proprietary - PWTF Loan 1/24/2007	7/1/2025	110,646	-	27,662	82,984
263.88	Governmental - PWTF Loan 7/3/2009	7/1/2029	147,079	-	19,737	127,342
263.88	Proprietary - PWTF Loan 7/3/2009	7/1/2029	84,355	-	9,868	74,487
263.88	Proprietary - PWTF Loan 7/3/2009	7/1/2029	84,355	-	9,868	74,487
263.88	Governmental - PWTF Loan 2/15/2013	6/1/2037	605,603	-	37,187	568,416
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	81,764	-	5,454	76,310
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	26,632	-	1,983	24,649
263.88	Proprietary - PWTF Loan 2/15/2013	6/1/2037	79,333	-	4,958	74,375
263.88	Proprietary - PWTF Loan 8/21/2013	6/1/2032	392,693	-	35,699	356,994
263.84	Proprietary - DOE SRF Loan 7/31/2016	12/1/2023	45,695	-	22,711	22,984
263.82	Proprietary - USDARD Loan 12/15/2021	12/15/2062	1,475,700	300	28,679	1,447,321
263.82	Proprietary - USDARD Loan 12/15/2021	12/15/2062	8,000,000	-	155,440	7,844,560
263.82	Proprietary - USDARD Loan 12/15/2021	12/15/2062	2,670,000	-	51,879	2,618,121
264.30	Pension Liability		155,463	239,778	-	395,241
259.12	Compensated Absences		198,014	26,284	-	224,298
263.57	City Hall Copier	5/2/2026	1,496	14,924	3,984	12,436
263.57	City Hall Printer	1/11/2026	2,160	-	540	1,620
263.57	City Hall Mail Machine	6/6/2026	3,466	-	816	2,650

**City of Leavenworth
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
263.57	Public Works Copier	5/26/2025	2,406	-	782	1,624
263.57	Land Lease - Snow Storage	11/1/2023	24,000	-	12,000	12,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			14,699,082	281,286	596,225	14,384,143
Assessment Debt/Liabilities (with commitments)						
253.11	Special Assessment - LID 24 08/08/2018	5/1/2033	96,229	-	96,229	-
Total Assessment Debt/Liabilities (with commitments):			96,229	-	96,229	-
Total Liabilities:			17,627,747	281,286	990,579	16,918,454

**City of Leavenworth
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program and Grants Cluster	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Water and Waste Disposal Systems for Rural Communities	10.760	-	1,163,501	-	1,163,501	-	1,3
Total Community Facilities Loans and Grants Cluster:					1,163,501	1,163,501	-	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507	-	64,623	-	64,623	-	1,3
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPR-B042	6,208	-	6,208	-	1,3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	STPR-B042 (002) / LAA-10300	60,799	-	60,799	-	1,3
Total Highway Planning and Construction Cluster:					67,007	67,007	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4650-DR- WA / 007-38845- 00 / D22-304	135,975	-	135,975	-	1,3
Total Federal Awards Expended:					202,982	1,228,124	1,431,106	-

The accompanying notes are an integral part of this schedule.

CITY OF LEAVENWORTH

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – FEDERAL INDIRECT COST RATE

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

NOTE 3 – 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 Leavenworth'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.

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