

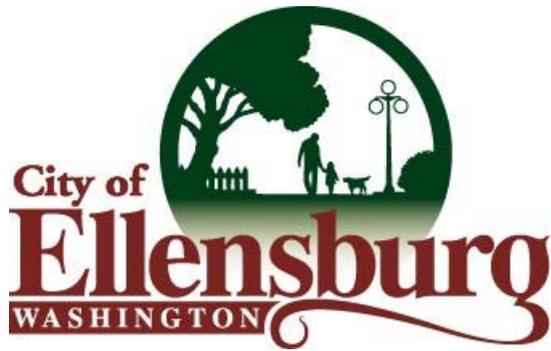
# CITY OF ELLENSBURG WASHINGTON



Comprehensive Annual Financial Report  
Fiscal Year Ended December 31, 2010

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CITY OF ELLENSBURG  
COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT

Finance Director  
Ade' Ariwoola, MBA, CGFM

Accounting Manager  
Kim Snider

For The Fiscal Year Ended  
December 31, 2010

Prepared by the Finance Department

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**CITY OF ELLENSBURG, WASHINGTON**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended December 31, 2010

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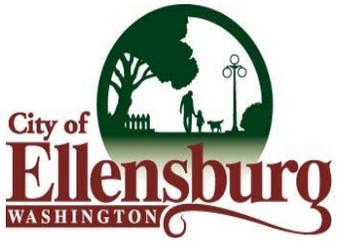
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# Introductory Section





501 N. ANDERSON STREET  
Ellensburg, WA 98926  
(509) 962-7129 Fax (509) 962-7130

June 29, 2011

The Honorable Mayor  
and the City Council  
City of Ellensburg, Washington:

I am pleased to present the Comprehensive Annual Financial Report of the City of Ellensburg for the fiscal year ended December 31, 2010. This report is published annually as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office in a timely fashion.

As management for the City, we are responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law provides for an annual independent audit to be conducted by the Office of the State Auditor. As a recipient of federal, state, and county financial assistance the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, Budget Circular A-133, *Audits of State and Local Governments*, and the March 2006 Compliance Supplement. This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The results of the City's single annual audit for the fiscal year ended December 31, 2010 provided no deficiencies in the design or operation of internal control over major federal programs.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic

financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Ellensburg's MD&A can be found immediately following the independent auditor's report.

## **Profile of the Government**

The City of Ellensburg was incorporated on November 26, 1883. Ellensburg is the largest city in Kittitas County encompassing an area of 6.73 square miles east of Seattle on the Interstate 90. Ellensburg has grown from a population of 14,230 in 1999 to 17,326 in 2010.

Ellensburg is a non-charter code city, operating under Section 35A of the Revised Code of Washington. It has a Council/City Manager form of government. The council is composed of seven councilors elected to four-year terms on a non-partisan ballot and are elected at-large. Members of the City Council are responsible for establishing the general direction and policies for the City and for



providing the resources necessary to carry out those policies. As the City's chief administrator, the City Manager is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City.

The City of Ellensburg provides a full range of municipal services, including police, library, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for gas, electric, water, wastewater, and storm-water management.

This report includes all funds, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments. Included as part of the reporting entity are the Ellensburg Adult Activity Center and Ellensburg Public Library. Additional information on these entities can be found in the Notes to the Financial Statements.

The City prepares an annual budget on the modified accrual basis in accordance with the Revised Code of Washington (RCW) 35A. Annual budgets must be adopted by the City Council prior to the first of the calendar year. Reviews are

conducted at mid-year and any changes for the second half of the year are adopted by the City Council.

The budget serves as the foundation for the City of Ellensburg's financial planning and control. The budget is prepared by fund and department. A budget increase or decrease to a fund except in General Fund which is by department must be authorized by the City Council. Appropriation changes within a fund may be authorized by the City Manager.

## **Local Economy**

City of Ellensburg is located in the central part of Washington; its major industries include higher education, government, food processing, and agriculture.

The City of Ellensburg is the home to one of the three state regional universities, the Central Washington University. The University has a student population of over ten thousand students and employees' a work force of over 2,000. More than half of the population in the City of Ellensburg revolves around the Central Washington University. With more than 2,000 employees, over 10,000 students, over \$72 million in payroll expenses in 2009, and aggressive capital projects for the next five years, the City's economic condition is affected more by the university than any other items. These 10,000 students and their families fuel the demand on our utility services which in turn supports the utility tax in the General Fund. General fund provides administrative support services to the utility funds and in turn recovers its cost through administrative charges.

Government agencies like Kittitas County, City of Ellensburg, Ellensburg School District, Washington State Department of Natural resources, and Kittitas Valley Community Hospital employed more than 1,200 employees in 2009, making this group the second largest employer in the valley. The City has a vibrant school system with a new high school building and Central Washington University supplying the teachers needed in the school system. Government related employments account for more than 41% of the total employment in the county.



Anderson Hay Grain is a major exporter of hay to Japan and the Middle East with an annual export of over two billion dollars.

Twin City Foods employs more than 500 employees and has the largest cold storage facility in the western states.

Other significant employers in our area include Fred Meyer, Safeway, and Super 1 Foods.

The City structure can't be left out of the discussion when talking about the local economy or the economic resilience of the City of Ellensburg. The City of Ellensburg currently has five full service utilities that serve its citizens. The City of Ellensburg was the first city in the state of Washington with its own electric utility. The City has its own "Electric, Gas, Water, Sewer and Stormwater utilities. This unique structure allows the City to efficiently share resources without creating too much burden on one utility. For example, the accounting, billing, meter reading, employee recruitment (HR), directorship (City Manager), and legally responsible board (Council) are shared among the five utilities and the other city's programs. This creates efficiency and reduced total cost to each utility and other city programs. This also lessens the pressure on other general government programs to cover the general cost that must be covered. The City reviewed its general cost allocation plan in 2009 and made some modifications. The activities of the utilities account for about 63% of the combined 2011 budget of the City of Ellensburg. Charges for services account for over 63% and the tax revenues account for a little over 19% of the total projected city revenues for 2011. Due to its structure the City does not depend on the sales tax revenue as much as most entities, therefore the City of Ellensburg is less vulnerable to the slump in the retail sales. As discussed above the City's major tax revenue is the utility tax. Property tax revenue is also less vulnerable due to the 4-year rotation in assessment.

Despite the slump in the national housing market, the City of Ellensburg housing market has remained less vulnerable either because there was not too much inventory to start with or because the potential sellers can afford to keep the property on the market for a longer period of time.

As of November 2010, the unemployment rate in the area was 8.5% compared to 9.3% for the State of Washington and 10.0% for the country as a whole.

### **Long-term Financial Planning and Relevant Financial Policies**

In line with the City's financial policy to maintain a diversified and stable revenue system, the financial strategy called for increases in utility rates. In December 2009, the Council approved a four year rate increase for Water and Sewer utilities

to provide adequate resources to support the construction of four new wells, and extension of both water and sewer main lines.

The City also continued its three-year funding of Fire Relief and Pension Fund with a portion of property tax to support the fund that pays the retirement money to the former and spouse of former City firefighters before the establishment of State LEOFF retirement program.

In 2011, the Council approved a “Biennial Budgeting” process. This process will help the City in its long term financial plan and priorities. The first biennial budget will be presented to the Council in 2012 for the fiscal year 2013 and 2014.

In its quest for financial stability and credibility, the City Council decided to seek a bond rating from bond rating agency instead of its traditional bond insurance for its general obligation and revenue bonds. The City did the presentation and received “AA” for both its General Obligation Bond and its Water-Sewer Revenue Bond in 2010.

City’s long-term capital needs and potential funding sources are assessed during the 2011 budget process and the 2011 budget was developed with these issues in mind.

## **Major Initiatives**

The City continues its tradition of significant investments in capital facilities needed to provide services to our community now and in future. Construction projects we worked on in 2010 ranged from four new water wells for the City’s water utility to the rehabilitation of the Memorial Pool.



Two successful ongoing community events were featured in 2010, the Ellensburg Rodeo and Jazz in the Valley. The Ellensburg Rodeo is held on first Saturday in September, to celebrate the cowboy and cattle rearing part of our heritage. The event is celebrated in conjunction with the annual County Fair at the Fair Ground. Jazz in the Valley is a music extravaganza of a variety of live jazz music, and family in July of every year.

## 2011 Major Initiatives

- Construct Dolarway Road between 5<sup>th</sup> avenue and University Way.
- Continue to prepare and submit CAFR to State Auditor's Office timely.
- Submit CAFR to GFOA for review and certification.
- Continue to submit the City's budget to GFOA for review and certification.
- Upgrade the traffic Signals on Main Street at 5<sup>th</sup> Avenue and University.
- Install 800 new solid state meters to replace the old mechanical meters in the Light department.
- Reprogram and upgrade the traffic control systems at each signalized intersection to provide for coordinated traffic flow.

## 2010 Major Accomplishments

- Council adopted a new Critical Areas Ordinance.
- Rebuilt Manitoba Underground 15KV Electrical Main Feeder.
- Received AA credit ratings on the City's GO bonds and Waterworks Revenue bonds.
- Installed nearly 600 new solid state meters replacing old mechanical meters for light customers.
- Installed nearly 1250 ft. of new 6 inch PE main along Sanders Road to complete the 6 inch main loop along the NE portion of the gas system.
- Implemented Geographical Information System in cooperation with county.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Distinguished Budget Presentation Award to the City of Ellensburg for its Annual Budget for the fiscal year beginning January 1, 2010. This was the first year that the City of Ellensburg has achieved this prestigious award. In order to be awarded a Certificate of Distinguished Budget Presentation Award, a government must satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as (a) a policy document, (b) a financial plan, (c) an operations guide, and (d) a communications device. Budget documents must be rated "proficient" in all four categories, and the fourteen mandatory criteria within those categories, to receive the award.

Washington Finance Officers Association (WFOA) awarded a Certificate of Distinguished Budget Presentation Award to the City of Ellensburg for its Annual Budget for the fiscal year beginning January 1, 2010. This was the first year that the City of Ellensburg has received this prestigious award.

Also, the City will be submitting this financial report to Government Finance Officers Association of the United States and Canada for review.

### **Acknowledgments**

The preparation of the Comprehensive Annual Financial Report on a timely basis cannot be accomplished without the efforts and dedication of City staff. I would like to express my appreciation to the staff, including personnel from various departments and agencies who assisted in its preparation. A special note of thanks is given to Kim Snider, Accounting Manager, and Jerica Pascoe, Accounting Analyst who served as the main CAFR preparers and coordinators. Also, I would like to thank the City Council and the City Manager for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner. The professional assistance of auditors from the State Auditor's Office is also worthy of mention.

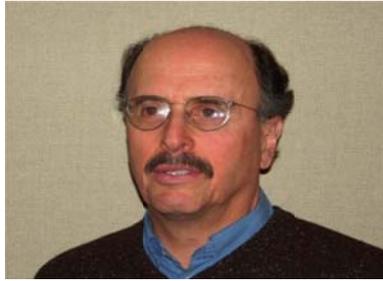
Respectfully submitted,

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Ademola A. Ariwoola, MBA, CGFM  
Finance Director

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## CITY COUNCIL



Bruce Tabb, Mayor  
Term Expires: December 31, 2011



Stan Bassett  
Term Expires: 12/31/11



George Bottcher  
Term Expires: 12/31/11



Rich Elliott  
Term Expires: 12/31/13



Nancy Lillquist  
Term Expires: 12/31/13



Fennelle Miller  
Term Expires: 12/31/11



Obie O'Brien  
Term Expires: 12/31/13

**ADMINISTRATIVE  
STAFF**



Jim Pidduck, City Attorney



Ade' Ariwoola, Director of Finance



Brad Case, Director of Parks & Recreation



Ted Barkley, City Manager



Bob Titus, Director of Energy Services



Debby DeSoer, Director of Library



Dale Miller, Police Chief



Mike Smith, Director of Community Development

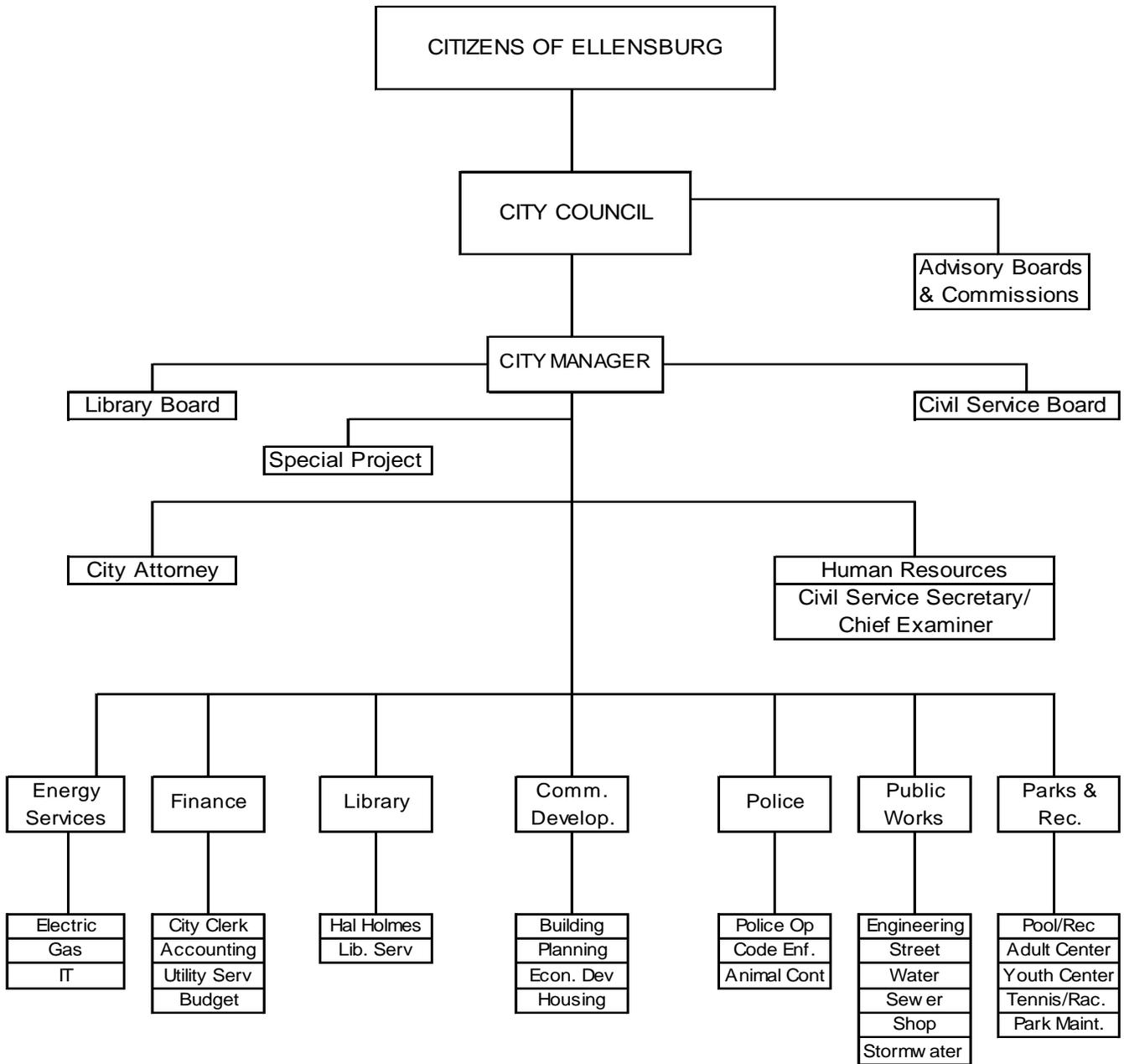


Cindy Smith, Director of Human Resources

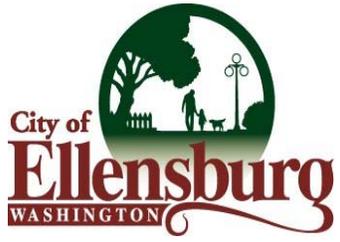


John Akers, Director of Public Works

# *City of Ellensburg*



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# Financial Section





**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 23, 2011

City Council  
City of Ellensburg  
Ellensburg, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ellensburg, Kittitas County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ellensburg, Kittitas County, Washington, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Sales Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 23, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. 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 internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 12 and schedule of funding progress and schedule of employer contributions for the pension trust fund on pages 80 through 81 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

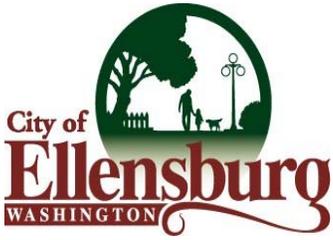
Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules and supplemental information on pages 82 through 130 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section and Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized with a large, sweeping initial "B" and a long, horizontal stroke extending to the right.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR



# Management's Discussion & Analysis

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## *Management's Discussion and Analysis*

As management of the City of Ellensburg, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Ellensburg for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages I thru V of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

### **Financial Highlights**

The assets of the City of Ellensburg exceeded its liabilities at the close of the most recent fiscal year by \$99.70 million (net assets). Of this amount, \$15.40 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. In addition, restricted net assets of \$10.61 million are dedicated to specific purposes and \$73.68 million is invested in capital assets, net of related debt.

The government's total net assets increased by \$1.07 million. The majority of the increase is attributable to the excess of revenues over expenses in the business-type activities. The City collected \$45.75 million in revenue and spent \$44.67 million in 2010.

As of the close of the current fiscal year, the City of Ellensburg's governmental funds reported a combined ending fund balances of \$9.63 million, an increase of \$2.81 million over the prior year. Approximately \$4.14 million of the \$9.63 million is available for spending at the government's discretion (unreserved, undesignated fund balance).

General Fund generated \$0.75 million of the \$2.81 million increase as a result of the excess revenues over expenditures.

Maintenance Bond Fund, created in 2010 to account for 2010 G.O. Bonds issued for various capital and maintenance projects, ended the year with \$1.78 million in fund balance to be spent in 2011.

At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$3.07 million or 29 percent of the total General Fund expenditures.

The City of Ellensburg enterprise funds reported a combined ending fund balance of 45.89, an increase of 1.20 million, this is largely due to a newly issued revenue bond for the Water and Sewer fund.

### **Overview of the Financial Statements**

This discussion and analysis provides as an introduction to the City of Ellensburg's basic financial statements which are comprised of four components.

- 1) government-wide financial statements,
- 2) fund financial statements,
- 3) notes to the basic financial statements, and

4) required supplementary information (RSI). In addition, this report also contains other supplementary information.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Ellensburg's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Ellensburg's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Ellensburg is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of City of Ellensburg that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Ellensburg include general government, public safety, transportation, economic development, and culture and recreation. The business-type activities of City of Ellensburg include gas distribution, electric distribution, water distribution, and sewer and stormwater collection and treatment.

The government-wide financial statements can be found on pages 17 - 18 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ellensburg, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Ellensburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements, and its capacity to finance its programs in the near future.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City of Ellensburg maintains 26 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Sales Tax Fund and Maintenance Bond Fund which are considered major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

City of Ellensburg adopts an annual appropriated budget for its General Fund, Sales Tax Fund, and Maintenance Bond Fund. This report includes a budgetary comparison statement to demonstrate compliance with these budgets. The basic governmental funds financial statements can be found on pages 21-27 of this report.

***Proprietary funds.*** The City of Ellensburg maintains two different types of proprietary funds; Enterprise and Internal Service Funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Ellensburg uses enterprise funds to account for I-net, gas distribution operations, electric distribution operations, water distribution operations, wastewater treatment operations, and stormwater operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Ellensburg's various functions. City of Ellensburg uses internal service funds to account for information technology systems, fleet of equipment, and health and benefits. Because all these services predominantly benefit business-type functions rather than governmental functions except health and benefits, they have been included within the business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Gas, Electric, Water, and Sewer funds, which are considered major funds of the City of Ellensburg. Conversely, Information Technology, ER&R, and Health and Benefits funds in the internal service funds are combined into single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 28 – 32 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of the City of Ellensburg employees and parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support City of Ellensburg's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 33 – 34 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 – 79 of this report.

**Other information.** In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the City of Ellensburg’s progress in funding its obligations to provide pension benefits to its employees. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information (RSI). The schedules can be found right before the combining and individual fund statements.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of City of Ellensburg, assets exceeded liabilities by \$99.70 million at the close of the 2010 fiscal year. The City’s fiscal condition remains stable and relatively better than last year.

The largest portion of City of Ellensburg’s net assets (73.9%(73.68/99.70)) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment), less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although City of Ellensburg’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### *City of Ellensburg’s Statement of Net Assets December 31, 2010 (In Millions)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$ 11.62	\$ 7.89	\$ 25.00	\$ 16.67	\$ 36.62	\$ 24.56
Capital assets	47.87	48.65	48.12	47.81	95.99	96.46
Total assets	59.49	56.54	73.12	64.48	132.61	121.02
<b>Liabilities</b>						
Other liabilities	1.14	0.56	2.87	3.07	4.01	3.63
Long-term liabilities	10.41	7.63	18.50	11.14	28.91	18.77
Total liabilities	11.55	8.19	21.37	14.21	32.92	22.40
<b>Net assets</b>						
Investment in capital	41.15	42.24	32.53	32.86	73.68	75.10
Restricted	5.50	0.73	5.12	2.32	10.62	3.05
Unrestricted	1.29	5.38	14.11	15.09	15.40	20.47
Total net assets	\$ 47.94	\$ 48.35	\$ 51.75	\$ 50.27	\$ 99.70	\$ 98.62

An additional portion of the City of Ellensburg's net assets (\$10.61 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$15.40 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, City of Ellensburg is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental net assets decreased by \$.41 million during the current fiscal year as a result of the excess expenditures over revenues.

The government's restricted net assets increased by 71% (from \$3.05 million to \$10.61 million), and the unrestricted decreased by 25% (from \$20.47 million to \$15.40 million). The increase in the restricted net assets is due mainly to the issuance of new debt in both the governmental funds and business type funds and also a reclassification of unrestricted net assets to restricted net assets.

**Notable changes in the Statement of Net Assets between December 31, 2009 and December 31, 2010 include:**

- The Water and Sewer funds continue the major improvements to the infrastructure by drilling three new wells, upgrading the thickener in the treatment plant, and extending the water and sewer main lines in 2010.
- The Water and Sewer funds issued new revenue bonds in the amount of \$7.4 million and refunding bonds in the amount of \$2.2 million.
- The Governmental Funds issued a new G.O. bond in the amount of \$2.9 million.

**Governmental and Business-type Activities.** Governmental and Business-type activities net assets are as follows for 2010 and 2009:

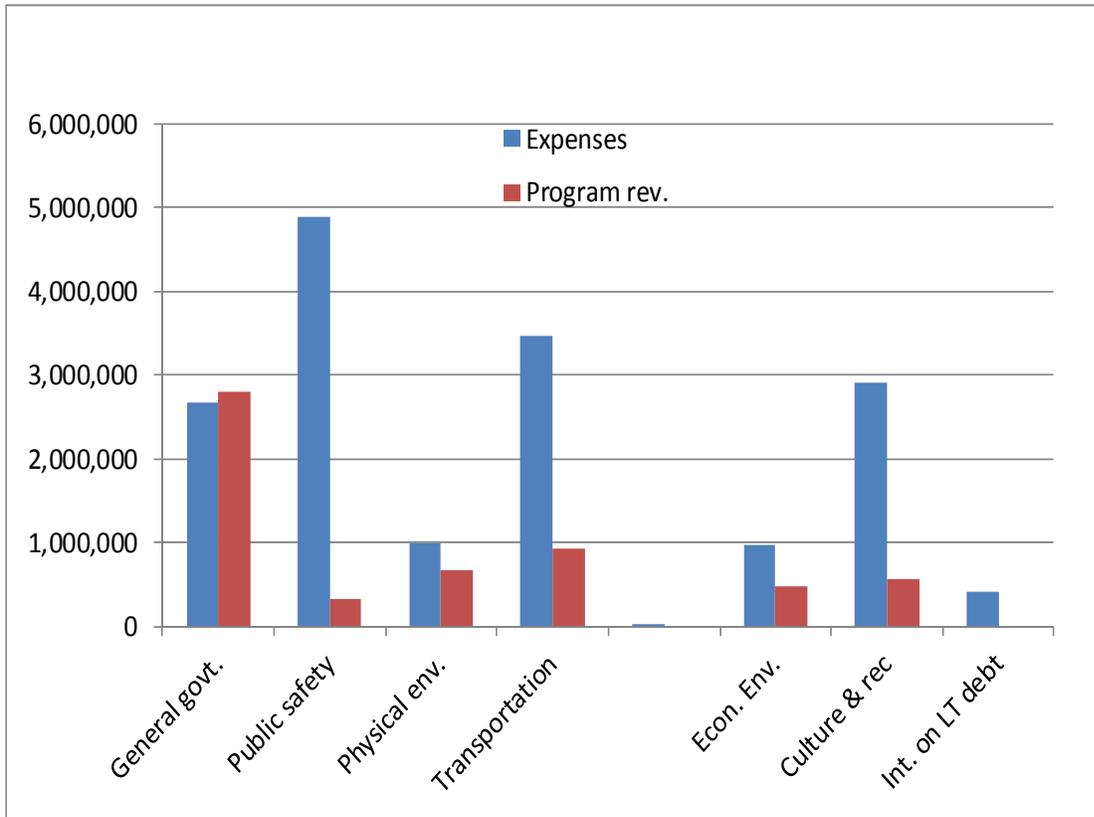
	Governmental Activities		Business-type Activities		Total Primary government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	\$ 4.24	\$ 3.70	\$ 28.95	\$ 29.29	\$ 33.19	\$ 32.99
Operating grants & contributions	1.07	1.05	0.22	0.05	1.29	1.10
Capital grants & contributions	0.45	0.64	0.13	0.91	0.58	1.55
Property taxes	2.30	2.29			2.30	2.29
Sales taxes	4.19	4.52			4.19	4.52
Other taxes	3.09	2.98			3.09	2.98
Investment earning	0.06	0.13	0.18	0.07	0.24	0.19
Other income	0.25	0.40		0.01	0.25	0.41
Total revenues	15.65	15.70	29.48	30.33	45.13	46.03
Expenses:						
General government	2.67	2.87			2.67	2.87
Public safety	4.90	5.28			4.90	5.28
Physical environment	0.99	0.97			0.99	0.97
Transportation	3.48	2.68			3.48	2.68
Health & human services	0.01	0.02			0.01	0.02
Economic environment	0.96	0.79			0.96	0.79
Culture & recreation	2.91	2.85			2.91	2.85
Interest on LT debt	0.41	0.31			0.41	0.31
Utilities			28.35	28.04	28.35	28.04
Others				0.05	-	0.05
Total expenses	16.33	15.76	28.35	28.09	44.68	43.85
Inc(dec) in net assets before transfers	(0.68)	(0.06)	1.13	2.23	0.45	2.18
Special items - gain (loss)	0.18	1.03	0.43		0.61	1.03
Transfers	0.09	0.05	(0.09)	(0.05)	-	
Change in net assets	(0.41)	1.02	1.47	2.19	1.05	3.21
Net assets at Beginning	48.35	46.07	50.27	41.63	98.62	87.70
Prior period adjustments		1.26		6.45		7.71
Net assets at Year End	\$ 47.94	\$ 48.35	\$ 51.75	\$ 50.27	\$ 99.68	\$ 98.62

### Governmental Activities

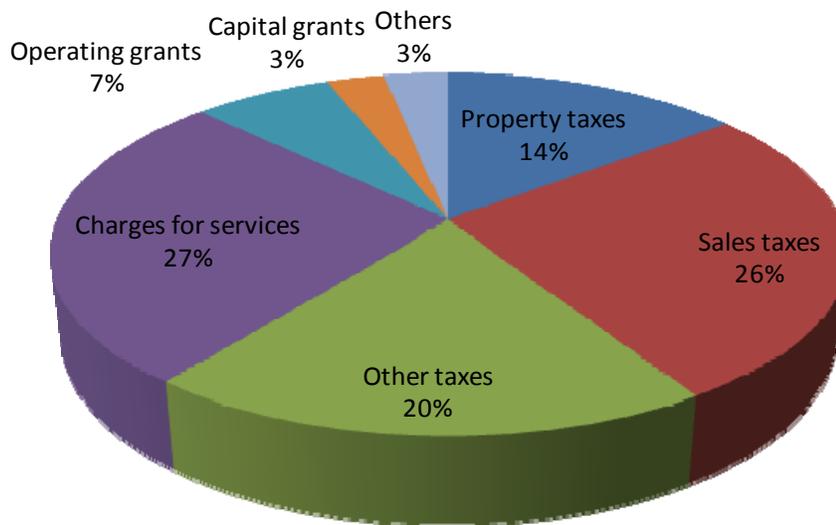
Significant elements of the Change in Net Assets for governmental activities from December 31, 2009 to December 31, 2010 are as follows:

- Capital grants and contributions went down from 1.67 million to .62 million due to less capital construction activity compared to 2009.
- Transportation expenses went up from 2.28 million to 3.48 million because of the extensive work on repairing roads and sidewalks.
- Interest in long term debt increased from .31 million to .41million because of the issuance of new debt for the repairs and maintenance of City property.

**2010 Expenses and Program Revenues - Governmental Activities**



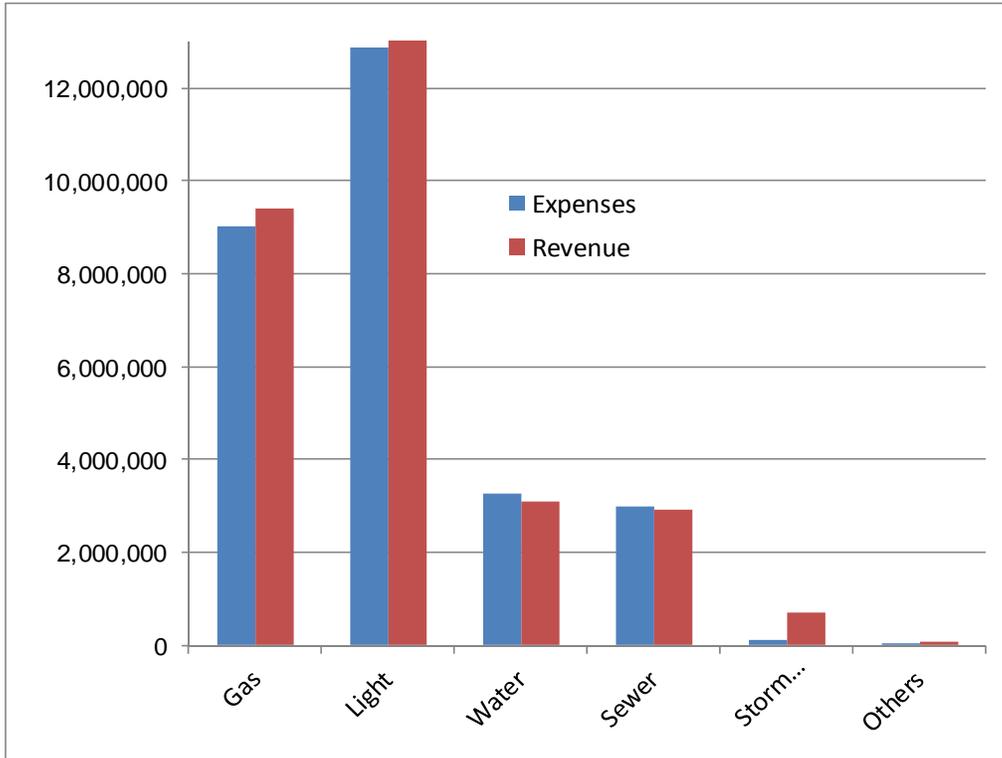
**Revenues by Source - Governmental Activities**



*2010 Revenues by source – Governmental Activities*

**Business-type activities.** The business-type activities increased the City’s net assets by \$1.48 million, accounting for a major part of the total growth in the government’s net assets in 2010.

2010 Expenses and Program Revenues – Business-type Activities



The notable components of the Changes in Net Assets for business-type activities are:

The increase in net assets is due mostly to the addition of a storm water service charge and an increase in capital grant revenue.

**Governmental funds**

The General Fund is the chief operating fund of the City of Ellensburg. At the end of the current fiscal year, the General Fund had a fund balance of 3.07 million, all classified as unreserved , undesignated funds. As a measure of the General Fund’s liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 28.86 % (3,077,677/10,661,213) of the total General Fund expenditures.

The Sales Tax Fund balance decreased by \$0.45 million due to the desire of the Council to use it to increase the fund balance in the General Fund.

**Proprietary funds**

The City of Ellensburg’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Restricted net assets of the enterprise funds at the end of the year amounted to \$5.12 million including \$1.87 million in debt service, \$.675 million in rate stabilization and \$2.57 million in construction, unrestricted net assets were \$11.08 million , and the total net assets for all propriety funds were \$52.39 million. Of the \$11.08 million of unrestricted net assets there is \$10.26 million in cash and cash equivalents available for spending at the City’s discretion.

The restricted for construction increased by 1.18 million and the restricted for debt service increased by \$.481 million due to a newly issued bonds, in the amount of \$9.7 million for the water and sewer funds.

**General Fund Budgetary Highlights**

Actual General Fund revenues were higher than the final budgeted revenues by \$0.18 million during fiscal year 2010. This increase is due to the increase in the building permit revenues. The departments within the General Fund spent less than their final annual budget. The fund collected about \$0.18 million more in revenue and spent about \$.78 million less than the final budget.

Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget. At the end of the year all of the General Fund departments spent less than their total appropriations.

The following are the significant supplemental appropriations during the year:

<b>General Fund</b>	Original budget	Supplementals	Final budget	Actual
<b>Revenues</b>				
Taxes	\$ 5.28	\$ -	\$ 5.28	\$ 5.23
Licenses & Permits	0.37	-	0.37	0.49
Intergovernmental Revenues	0.47	0.02	0.49	0.62
Charges for Goods & Services	3.11	0.11	3.22	3.20
Fines & Penalties	0.08	-	0.08	0.09
Miscellaneous Revenues	0.20	-	0.20	0.20
Other Financing Sources	1.60	-	1.60	1.60
<b>Total Revenues</b>	<b>11.11</b>	<b>0.13</b>	<b>11.25</b>	<b>11.43</b>
<b>Expenditures</b>				
City General	0.80	0.14	0.94	0.84
Finance	1.51	-	1.51	1.41
City Manager	0.85	0.02	0.87	0.87
Police	3.71	0.02	3.73	3.43
Community Development	0.92	(0.00)	0.92	0.71
Engineering	0.79	-	0.79	0.76
Parks & Rec	1.78	0.03	1.81	1.77
Library	0.88	0.02	0.90	0.89
<b>Total expenditures</b>	<b>(11.24)</b>	<b>(0.22)</b>	<b>(11.46)</b>	<b>(10.68)</b>
<b>Change to fund balance</b>	<b>\$ (0.13)</b>	<b>\$ (0.09)</b>	<b>\$ (0.22)</b>	<b>\$ 0.75</b>

**Capital Assets**

At the end of the fiscal year 2010, the City of Ellensburg’s investment in capital assets for its governmental activities was \$47.87 million net as reflected in the following schedule.

**Change in Capital Assets (millions)**

	12/31/2009	Additions	Retirements	12/31/2010
<b>Governmental activities</b>				
Land	\$ 11.41			\$ 11.41
Construction in Progress	0.14	1.08	-	1.21
Infrastructure	53.37	0.07		53.44
Building	10.17	0.01	-	10.17
Non-building improvements	2.51	0.06		2.58
Machinery & Equipment	0.99	0.14	0.03	1.10
Total	78.58	1.35	0.03	79.90
Less Accumulated Depreciation	29.92	2.14	0.03	32.04
Total Capital Assets Net of Depre.	\$ 48.66	\$ (0.79)	\$ 0.00	\$ 47.87

The \$1.08 million increase in construction in progress is mostly from a remodel of the pool not completed and in service until 2011.

At the end of the fiscal year 2010, the City of Ellensburg’s investment of capital assets for its business type activities was 48.12 million net as reflected in the following schedule

**Change in Capital Assets (millions)**

	12/31/2009	Additions	Retirements	12/31/2010
<b>Business Type activities</b>				
Land	\$ 0.85	\$ 0.20		\$ 1.05
Construction in Progress	0.00	0.17	0.00	0.17
Building	6.87	0.30	-	7.17
Non-building improvements	62.39	1.04		63.43
Machinery & Equipment	18.02	1.09	0.08	19.03
Total	88.13	2.80	0.08	90.85
Less Accumulated Depreciation	40.34	2.48	0.08	42.73
Total Capital Assets Net of Depre.	\$ 47.80	\$ 0.32	\$ 0.00	\$ 48.12

See Note 6B for detail information on Capital Assets.

**Long-term Debt**

At year-end, the City had \$29.02 million in long-term debt.

### Outstanding Debt, at Year-End (millions)

<b>Governmental activities:</b>	2009	Addition	Deletion	2010
Bond Payable	\$ 6.38	\$ 2.93	\$ 0.51	\$ 8.80
Less Deferred Amount	\$ 0.01	\$ 0.10	\$ 0.01	\$ 0.10
Loans	0.02		0.008	0.01
Comp	0.45		0.037	0.41
Leases	-			
OPEB Liability	0.79	0.399		1.19
Interfund Loans	0.07		0.07	0.00
Total	\$ 7.71	\$ 3.43	\$ 0.63	\$ 10.52
<b>Enterprise activities:</b>				
Bond Payable	\$ 10.73	\$ 9.71	\$ 3.00	\$ 17.44
Less Deferred Amount	\$ 0.15	\$ 0.49	\$ 0.04	\$ 0.60
Comp	0.40	0.05		0.45
Interfund Loans	4.28		4.28	-
Total	15.56	10.26	7.32	18.50
Total Debt	\$ 23.27	\$ 13.69	\$ 7.95	\$ 29.02

See Note 9 and 14 for more detail on Long-term debt.

The major changes in long-term debt include the new G.O Maintenance bond in the amount of \$2.9 million, the new Water/Sewer Revenue bond in the amount of \$7.42 million, and the refunding of the 99 Water/Sewer Revenue bond for \$2.29 million. The City also paid off the Water/Sewer Internal Revenue bond in the amount of \$4.28 million in 2010.

The State limits the amount of general obligation debt the City can issue without the vote of the people to 1.5% of the total assessed value. As of the end of the fiscal year, the City has \$11.78 million remaining in debt capacity (non-voted). More detail information on capital assets and long-term debt are provided in the notes to the financial statements (Notes 9).

#### **Economic Factors and Next Year's Budgets and Rate**

The economy of the City is based mostly on government services and agriculture. The top major employers in City of Ellensburg are government agencies and government support companies. A few of the City of Ellensburg's major employers are Central Washington University, Kittitas County, City of Ellensburg, and Twin City Foods.

#### **Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Finance Department  
 City of Ellensburg  
 501 N Anderson Street  
 Ellensburg, Washington 98926  
 or visit the City web site at [www.ci.ellensburg.wa.us](http://www.ci.ellensburg.wa.us)

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