



Basic Financial Statements

CITY OF ELLENSBURG, WASHINGTON

Statement of Net Position December 31, 2017

	Governmental Activities	Business-type Activities	Primary Government Total
ASSETS			
Cash and cash equivalents	\$ 11,391,314	\$ 10,046,971	\$ 21,438,285
Deposits with fiscal agents	526,440	-	526,440
Investments	4,645,294	7,908,318	12,553,612
Receivables(net)			
Property taxes	167,857	-	167,857
Accounts	222,300	4,889,877	5,112,177
Internal balances	(845,652)	845,652	-
Due from other governments	1,440,510	107,664	1,548,174
Inventories	39,228	1,816,571	1,855,800
Restricted assets:			
Cash and cash equivalents	-	5,755,943	5,755,943
Net pension asset	1,598,713	-	1,598,713
Capital assets, not being depreciated			
Land	12,916,437	2,165,550	15,081,987
Construction in progress	306,357	1,248,341	1,554,698
Capital assets, net (see note 5)			
Infrastructure	28,761,918	-	28,761,918
Buildings	5,055,370	7,941,590	12,996,960
Improvements & other buildings	1,739,759	40,694,609	42,434,368
Machinery & equipment	232,408	8,527,603	8,760,011
Total Assets	<u>68,198,255</u>	<u>91,948,689</u>	<u>160,146,944</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows debt refunding	-	371,218	371,218
Deferred outflows of resources pension	951,395	284,609	1,236,004
Total Deferred Outflows of Resources	<u>951,395</u>	<u>655,828</u>	<u>1,607,223</u>
LIABILITIES			
Accounts payable and accrued expenses	690,508	956,866	1,647,374
Wages and benefits payable	381,908	503,914	885,823
Due to other governments	228,911	1,061,842	1,290,753
Other liabilities	185,406	606,128	791,534
Non current liabilities (Note 8):			
Due within one year	829,628	1,144,096	1,973,723
Due in more than one year	3,178,525	17,141,907	20,320,432
Other postemployment benefits	3,844,829	-	3,844,829
Net pension liability	4,143,386	2,874,518	7,017,904
Total Liabilities	<u>13,483,101</u>	<u>24,289,271</u>	<u>37,772,372</u>
DEFERRED INFLOW OF RESOURCES			
Deferred gain on refunding	-	36,293	36,293
Deferred inflows of resources: pension	940,463	408,184	1,348,648
Total Deferred Inflows of Resources	<u>940,463</u>	<u>444,477</u>	<u>1,384,941</u>
NET POSITION			
Net investment in capital assets	46,049,585	43,249,443	89,299,028
Restricted:			
Net Pension Asset	1,598,713	-	1,598,713
Capital projects	673,248	-	673,248
Construction	-	1,519,702	1,519,702
Debt service	78,563	1,451,977	1,530,540
Transportation	1,873,178	-	1,873,178
Public Safety	933,962	-	933,962
Natural and Economic	575,226	-	575,226
Culture and Recreation	1,487,962	-	1,487,962
Unrestricted	1,455,649	21,649,644	23,105,293
Total Net Position	<u>\$ 54,726,086</u>	<u>\$ 67,870,766</u>	<u>\$ 122,596,852</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ELLENSBURG, WASHINGTON

Statement of Activities

For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities							
General government	\$ 5,165,477	\$ 3,320,740	\$ 556,470	\$ 416,562	\$ (871,704)	\$ -	\$ (871,704)
Public safety	5,498,255	162,745	321,234	-	(5,014,275)	-	(5,014,275)
Transportation	4,739,701	793,962	-	1,962,889	(1,982,850)	-	(1,982,850)
Social Services	190,583	51,255	-	-	(139,327)	-	(139,327)
Natural and Economic	1,967,177	695,654	-	-	(1,271,523)	-	(1,271,523)
Culture & recreation	3,848,303	775,020	5,153	-	(3,068,131)	-	(3,068,131)
Interest on long-term debt	147,107	-	-	-	(147,107)	-	(147,107)
Total governmental Activities	<u>21,556,604</u>	<u>5,799,376</u>	<u>882,858</u>	<u>2,379,452</u>	<u>(12,494,917)</u>	<u>-</u>	<u>(12,494,917)</u>
Business-type Activities							
Telecommunications	236,554	249,893	97,277	-	-	110,616	110,616
Stormwater	718,819	948,514	73,044	73,284	-	376,023	376,023
Gas	6,710,483	6,981,934	-	-	-	271,452	271,452
Light	16,014,709	16,727,023	-	-	-	712,314	712,314
Water	3,746,707	4,613,695	-	533,434	-	1,400,423	1,400,423
Sewer	3,537,169	4,004,056	-	319,778	-	786,665	786,665
Total business-type activities	<u>30,964,441</u>	<u>33,525,115</u>	<u>170,321</u>	<u>926,497</u>	<u>-</u>	<u>3,657,493</u>	<u>3,657,493</u>
Total Primary Government	<u>\$ 52,521,044</u>	<u>\$ 39,324,492</u>	<u>\$ 1,053,179</u>	<u>\$ 3,305,948</u>	<u>(12,494,917)</u>	<u>3,657,493</u>	<u>(8,837,425)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,822,898	-	2,822,898
Property taxes, levied for debt service					173,343	-	173,343
Sales & use taxes					8,442,849	-	8,442,849
Other taxes					3,629,613	-	3,629,613
Investment earnings					142,574	241,681	384,255
Gain (loss) in change of fair value					25,753	(79,833)	(54,081)
Miscellaneous					277,796	33,626	311,421
Disposition of capital assets(gain)					38,516	-	38,516
Transfers					(15,000)	15,000	-
Total general revenues and transfers					<u>15,538,342</u>	<u>210,474</u>	<u>15,748,814</u>
Change in net position					<u>3,043,424</u>	<u>3,867,966</u>	<u>6,911,390</u>
Net position - beginning					51,309,961	64,136,897	115,446,858
Prior period adjustments					372,701	(135,652)	237,049
Net position - ending					<u>\$ 54,726,086</u>	<u>\$ 67,870,766</u>	<u>\$ 122,596,851</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Unlike Government-Wide Financial Statements that report on the City as a whole, Fund Financial Statements focus on the individual major funds of the City.

- Balance Sheet- Governmental Funds
- Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds
- Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- General Fund and Arterial Street Fund
- Statement of Fund Net Position- Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds
- Statement of Cash Flows- Proprietary Funds
- Statement of Fiduciary Net Position- Fiduciary Funds
- Statement of Changes in Fiduciary Net Position- Fiduciary Funds

MAJOR GOVERNMENTAL FUNDS

General Fund- Classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. This fund includes our regular General Fund, Ellensburg Public Transit, Sales Tax, Police Vehicles, EURED RF and Special Projects Funds. See page 21.

Arterial Street- This fund accounts for maintenance of transportation improvements within the public right of way and the construction of streets, bridges, trails, and traffic signals. The majority of the revenue in this fund is from the receipt of grant revenues and fuel excise tax revenue restricted for the maintenance and construction of the City's streets. This fund includes regular Arterial Street and Street Fund. See page 21.

MAJOR ENTERPRISE FUNDS

Gas Fund- This fund accounts for the activities of the City's gas distribution operations. The major source of revenue is the charges for the sale of gas and the bulk of its expenses are the purchase of gas for resale.

Electric Fund- This fund accounts for the activities of the City's electric distribution operations. The major source of revenue is the sale of electricity and a major part of its expenses are the purchase of power from entities like Bonneville.

Water Fund- This fund accounts for operations that provide goods or services to the general public for receiving water services and are supported primarily through user charges.

Sewer Fund- This fund accounts for the activities of the City's sewer treatment plant, sewer pumping station, and collection system. The fund is supported through service charges.

City of Ellensburg, Washington

Balance Sheet

Governmental Funds

December 31, 2017

	General Fund*	Arterial Street**	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	\$ 3,286,218	\$1,869,536	\$5,347,843	\$10,503,597
Deposits with other agents	-	-	450,803	450,803
Investments	2,732,740	348,783	1,121,430	4,202,953
Receivables (net)				
Property Taxes	162,030	-	5,827	167,857
Accounts	186,547	3,605	17,720	207,871
Due from other funds	3,156	86,582	-	89,739
Due from other governments	895,435	37,096	507,980	1,440,510
Inventory	-	39,228	-	39,228
Total Assets	7,266,126	2,384,830	7,451,603	17,102,559
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	7,266,126	2,384,830	7,451,603	17,102,559
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	63,153	125,579	411,294	600,026
Wages and benefits payable	323,844	27,705	30,359	381,908
Due to other funds	34,087	4,410	65,137	103,634
Due to other governments	171,432	46,188	11,291	228,911
Other liabilities	175,079	-	-	175,079
Interfund Loan	1,269,657	-	-	1,269,657
Total Liabilities	2,037,251	203,883	518,081	2,759,215
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-taxes	643,540	-	276,109	919,649
Total Deferred Inflows of Resources	643,540	-	276,109	919,649
FUND BALANCE				
Nonspendable	-	39,228	-	39,228
Restricted	-	-	5,622,139	5,622,139
Committed	-	-	173,473	173,473
Assigned	57,104	2,141,719	861,801	3,060,623
Unassigned	4,528,230	-	-	4,528,230
Total Fund Balance	4,585,335	2,180,947	6,657,412	13,423,694
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,266,125	\$ 2,384,830	\$ 7,451,603	\$ 17,102,558

* General Fund includes Funds 001 (General Fund), 140 (Sales Tax) and 159 (Police Vehicles)

** Arterial Street includes Funds 123(Arterial Street) and 120 (Street). The revenue in Arterial Street is catagorized as assigned to only be spent on street related projects.

CITY OF ELLENSBURG
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
For the Year End December 31, 2017

The governmental funds balance sheet includes a reconciliation between fund balance in governmental funds and net position-governmental activities as reported in the government-wide statement of net position.

Fund balance of governmental funds- page 21 \$13,423,694

The Internal Service Health and Benefit Fund (\$1,329,642) is used to charge the cost of health benefits. The assets and liabilities of this fund is included in the government activities column on the government wide statement of net position. In addition, the net effect of the intergovernmental revenue is removed from the fund balance. (\$10,698 for 2017). 1,329,642

Liabilities that are not due and payable in the current period are therefore not reported in the governmental funds balance sheet but are reported on the government wide statement of net position (page 17)

Bonds Payable (Page 7X7)	2,971,200
OPEB Liability	3,844,829
Compensated Absences	925,557
Bond Issuance Premium	111,395
Accrued Interest on Bonds	10,327

Net adjustment to reduce fund balance - total of governmental funds to fet position of governmental funds (7,863,309)

The reporting of net investment in capital assets for governmental activities are not financial resources and therefore are not reported in the funds. The detail of this \$49,012,249 difference is as follows: (page 1X7)

Land	12,916,437
Infrastructure	28,761,918
Building	5,055,370
Improvements	1,739,759
Machinery & Equipment	232,408
Construction in Progress	306,357
Net Adjustment to increase fund balance-total governmental funds to net position governmental funds	49,012,249

Other longterm assets are not available to be collected in current period revenues and therefore are deferred in the funds (deferred property tax \$162,030 and unavailable revenue sales Taxes \$757,620 (page 21) 919,650

The net pension asset is not an available resource and therefore is not reported in the funds) (page 17) 1,598,713

Internal Service funds are used by management to charge the cost of ER&R, Management Information Systems(IT), Health Benefits and Risk Management to individual funds. The asset and liabilities of the internal service funds of ER&R,IT, and Risk Management are included in the governmental activities in the statement of net position. From 2010 - 2014, the net profit for internal service funds were allocated out to different activities based on the percentage of support (page 49). In 2015, the City made a change in accounting method to follow BARS 4.3.6.20 to report Health fund solely as a governmental activity. 437,900

GASB 68 adjustments

Contributions to the pension plan in the current fiscal year are deferred outflows of resources	951,395
Pension Liability	(4,143,386)
Pension related deferrals are inflows of resources	(940,463)
Net Adjustment to decrease fund balance-total governmental funds to net position governmental funds.	(4,132,454)

Net Position of Governmental Activities (page 17) \$54,726,086

The notes to the financial statements are an integral part of this statement

City of Ellensburg, Washington

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2017

	General Fund*	Arterial Street**	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 2,845,497	\$ -	\$ 173,840	\$ 3,019,337
Retail sales & use taxes	5,330,342	-	2,795,819	8,126,162
Other taxes	3,240,882	-	388,732	3,629,613
Licenses and permits	744,927	4,257	-	749,184
Intergovernmental	445,658	2,402,509	2,093	2,850,260
Charges for services	3,696,156	344,676	760,871	4,801,703
Fines & forfeits	223,358	-	2,075	225,432
Investment earnings	64,393	16,836	48,791	130,020
Net change in fair value of investment	(23,387)	(2,812)	54,162	27,963
Miscellaneous	187,639	5,162	20,597	213,397
Total Revenues	16,755,464	2,770,628	4,246,981	23,773,073
EXPENDITURES				
Current:				
General Government	4,204,817	501,358	15,579	4,721,755
Public Safety	4,548,546	-	697,398	5,245,944
Transportation	89,118	1,950,782	779,016	2,818,916
Social Services	190,583	-	-	190,583
Natural and Economic	1,298,813	-	619,623	1,918,437
Culture & Recreation	3,167,647	-	152,043	3,319,690
Debt service				
Principal	-	-	255,000	255,000
Interest and other charges	15,597	-	146,778	162,374
Capital outlay	10,320	2,561,419	149,853	2,721,592
Total Expenditures	13,525,441	5,013,559	2,815,291	21,354,291
Excess (Deficiency) of Revenues Over Expenditures	3,230,023	(2,242,931)	1,431,690	2,418,782
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	121,200	121,200
Insurance recovery	1,984	-	-	1,984
Disposition of capital assets	3,316	25,000	10,200	38,516
Transfers in	7,403	2,311,971	877,040	3,196,414
Transfers out	(2,625,759)	-	(585,655)	(3,211,414)
Compensation for Loss/Impairment of Capital Asset	-	-	-	-
Total other financing sources & uses	(2,613,056)	2,336,971	422,786	146,700
Net change in fund balance	616,967	94,040	1,854,475	2,565,482
Fund Balances-Beginning	3,957,786	2,015,034	4,802,936	10,775,756
Prior Period Adjustment	10,582	71,873	-	82,456
Fund Balances-Ending	\$ 4,585,335	\$ 2,180,947	\$ 6,657,412	\$ 13,423,693

* General Fund includes Funds 001 (General Fund), 140 (Sales Tax), and 159 (Police Vehicles)

** Arterial Street includes Funds 123 (Arterial Street) and 120 (Street). The revenue in Arterial Street is categorized as assigned to only be spent on street related projects.

CITY OF ELLENSBURG
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year End December 31, 2017

Amounts reported for governmental activities in the statement of activities are different because of the following reconciling items:

Net Change in fund balance-total governmental funds (page 23) **\$2,565,482**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Capital Outlay	2,721,592	
Depreciation Expense	(2,741,779)	
		(20,187)

The net effect of various miscellaneous transactions involving capital assets i.e. gain or loss on sales, trade ins, and donations (\$217,261) is to increase net position. The following is from donated assets.

217,261

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The following details the net change in long-term debt as reflected in government-wide reporting

Debt Issued or Incurred		(121,200)
OPEB Liability		(443,490)
Net Pension Liability/Net Pension Asset		924,366
Compensated Absences		(159,263)
Other Finance Sources, Uses, and expenditures resulting from debt issuance		
Bond Payments (Includes Refunded Amounts)	255,000	
Amortization of premiums	14,452	
Accrued Interest	815	
Debt Related Cost		270,267
Net effect of Long-term Debt		470,680

Revenues in the statement of activities that do not provide current financial resources are not recorded as revenues in the fund statements (current year deferred sales and property tax).

728,700

GASB 68 related transactions involving change in pension assets, adjustments to pension expense and LEOFF 2 Intergovernmental Revenues in the statement of activities that do not provide current financial resources are not recorded as transactions in the fund statements.

GASB 68 Deferred Outflows		(274,598)
GASB 68 Deferred Inflows		(863,069)
		(1,137,667)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue is reported with the governmental activities. The net profit for internal service funds were allocated out to different activities based on the percentage of support.

219,156

Change in net position of governmental activities (page 18) **\$3,043,424**

The notes to the financial statements are an integral part of this statement

City of Ellensburg, Washington

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Budget- General Fund		Actual	*Other Funds	Total
	Original	Final			
REVENUES:					
Property taxes	\$ 2,906,388	\$ 2,906,388	\$ 2,845,497	\$ -	\$ 2,845,497
Retail sales & use taxes	343,490	343,490	435,107	4,895,235	5,330,342
Other taxes	3,054,140	3,054,140	3,240,882	-	3,240,882
Licenses and permits	684,050	684,050	744,927	-	744,927
Intergovernmental	401,035	401,035	445,658	-	445,658
Charges for services	3,844,500	3,844,500	3,696,156	-	3,696,156
Fines & forfeits	284,300	284,300	223,358	-	223,358
Investment earnings	20,000	20,000	51,358	13,035	64,393
Net change in fair value of investment	-	-	(17,422)	(5,965)	(23,387)
Miscellaneous	178,573	184,627	187,639	-	187,639
Total Revenues	11,716,476	11,722,530	11,853,159	4,902,305	16,755,464
EXPENDITURES:					
Current:					
General Government					
City General	667,623	582,847	551,136	-	551,136
Finance	1,825,247	1,853,575	1,724,785	-	1,724,785
Managers	1,020,100	1,020,100	976,492	-	976,492
Engineering	996,347	1,047,361	952,403	-	952,403
Total General Government	4,509,317	4,503,883	4,204,817	-	4,204,817
Security of Person and Property					
City General	419,518	419,518	417,000	-	417,000
Police	4,494,658	4,500,689	4,087,467	44,080	4,131,546
Community Development	-	-	-	-	-
Total Security of Person and Property	4,914,176	4,920,207	4,504,466	44,080	4,548,546
Transportation					
City General	86,120	124,470	86,120	-	86,120
Finance	3,328	3,328	2,998	-	2,998
Total Transportation	89,448	127,798	89,118	-	89,118
Natural and Economic					
City General	128,287	128,287	76,200	-	76,200
Police	237,628	242,046	221,444	-	221,444
Community Development	1,142,977	1,152,236	1,001,169	-	1,001,169
Total Natural and Economic	1,508,892	1,522,569	1,298,813	-	1,298,813
Social Services					
City General	4,395	4,395	8,683	-	8,683
Parks and Recreation	159,807	181,670	181,899	-	181,899
Total Social Services	164,202	186,065	190,583	-	190,583
Culture & recreation					
City General	3,520	3,520	1,805	-	1,805
Parks and Recreation	2,213,093	2,238,173	2,172,740	-	2,172,740
Library	1,102,094	1,121,912	993,101	-	993,101
Total Culture and Recreation	3,318,707	3,363,605	3,167,647	-	3,167,647

Debt Service					
Principal	290,000	290,000	-	-	-
Interest and other charges	15,597	15,597	15,597	-	15,597
Transfer out	-	-	-	-	-
Total Debt Service	<u>305,597</u>	<u>305,597</u>	<u>15,597</u>	<u>-</u>	<u>15,597</u>
Capital outlay					
General	-	-	10,320	-	10,320
Total Expenditures	<u>14,810,339</u>	<u>14,929,724</u>	<u>13,481,361</u>	<u>44,080</u>	<u>13,525,441</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,093,864)</u>	<u>(3,207,194)</u>	<u>(1,628,203)</u>	<u>4,858,225</u>	<u>3,230,023</u>
OTHER FINANCING SOURCES (USES):					
Insurance recoveries	-	-	1,984	-	1,984
Disposition of capital assets	-	-	-	3,316	3,316
Transfers in	2,025,000	2,025,000	2,007,403	-	2,007,403
Transfers out					
City General	-	-	-	(4,610,759)	(4,610,759)
Parks and Recreation		(15,000)	(15,000)	-	(15,000.00)
Total other financing sources & uses	<u>2,025,000</u>	<u>2,010,000</u>	<u>1,994,387</u>	<u>(4,607,443)</u>	<u>(2,613,056)</u>
Net change in fund balance	(1,068,864)	(1,197,194)	366,184	250,782	616,967
Fund Balance-Beginning	2,143,898	3,089,817	1,712,753	2,245,032	3,957,786
Prior Period Adjustment			10,582		10,582
Fund Balances-Ending	<u>\$ 1,075,034</u>	<u>\$ 1,892,623</u>	<u>\$ 2,089,520</u>	<u>\$ 2,495,815</u>	<u>\$ 4,585,335</u>

* Other Funds include 140 (Sales Tax) and 159 (Police Vehicles)
see workpaper page 128-132 for detail of budget for these funds

** Transfers In and Out are reported as adopted by council on the budget to actual statement and netted together
on the operating statement.

City of Ellensburg, Washington

Arterial Street Fund 123

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Budget		Actual	*Other Funds	Total
	Original	Final			
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Retail sales & use taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	4,100	4,100	4,257	-	4,257
Intergovernmental	1,813,859	2,940,359	2,099,029	303,480	2,402,509
Charges for services	-	-	56,664	288,013	344,676
Fines & forfeits	-	-	-	-	-
Investment earnings	500	500	7,259	9,577	16,836
Net change in fair value of investment	-	-	-	(2,812)	(2,812)
Miscellaneous	-	-	2,806	2,356	5,162
Total Revenues	1,818,459	2,944,959	2,170,015	600,614	2,770,628
EXPENDITURES:					
Current:					
General Government	-	-	400,000	101,358	501,358
Judicial Services	-	-	-	-	-
Public Safety	-	-	-	-	-
Utilities	-	-	-	-	-
Transportation	52,000	87,000	137,453	1,813,329	1,950,782
Social Services	-	-	-	-	-
Natural and Economic	-	-	-	-	-
Culture & Recreation	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	2,614,306	4,068,849	2,561,419	-	2,561,419
Total Expenditures	2,666,306	4,155,849	3,098,872	1,914,687	5,013,559
Excess (Deficiency) of Revenues Over Expenditures	(847,847)	(1,210,890)	(928,857)	(1,314,073)	(2,242,931)
OTHER FINANCING SOURCES (USES):					
Bond issue proceeds	-	-	-	-	-
Bond premiums	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-
Disposition of capital assets	-	-	25,000	-	25,000
Transfers in	669,000	1,007,997	733,712	1,578,259	2,311,971
Transfers out	-	-	-	-	-
Total Other Financing Sources & Uses	669,000	1,007,997	758,712	1,578,259	2,336,971
Net Change in Fund Balance	(178,847)	(202,893)	(170,146)	264,186	94,040
Fund Balances-Beginning	1,404,760	1,035,305	1,035,305	979,729	2,015,034
Prior Period Adjustments	-	-	66,727	5,146	71,873
Fund Balances-Ending	\$ 1,225,913	\$ 832,412	\$ 931,886	\$ 1,249,061	\$ 2,180,947

* Other funds includes Fund 120 (Street), see page 141 for budget details

CITY OF ELLENSBURG, WASHINGTON

Statement of Fund Net Position
 Proprietary Funds
 December 31, 2017

	Enterprise Funds						Internal Services Funds
	Major				Non-Major		
	Gas	Electric	Water	Sewer	Funds	Total	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 785,218	\$ 3,086,702	\$ 1,642,602	\$ 1,285,220	\$ 741,131	\$ 7,540,873	\$ 3,393,815
Deposits with fiscal agents	-	-	-	-	-	-	75,637
Investments	997,703	1,238,007	1,898,598	1,610,816	264,986	6,010,109	2,340,550
Receivables(net)							
Accounts	1,401,390	2,388,414	448,667	486,538	128,980	4,853,989	50,317
Due from other funds	14,423	54,300	12,789	1,611	664	83,787	6,307
Due from other governments	-	45,431	1,844	-	26,240	73,515	34,149
Interfund loan receivable	-	1,269,657	-	-	-	1,269,657	941,823
Inventories	595,584	915,716	215,600	21,511	-	1,748,411	68,160
Restricted assets:							
Cash and cash equivalents	521,224	704,525	1,185,429	660,501	327,056	3,398,734	2,357,209
Total current assets	<u>4,315,542</u>	<u>9,702,752</u>	<u>5,405,529</u>	<u>4,066,197</u>	<u>1,489,056</u>	<u>24,979,075</u>	<u>9,267,968</u>
Noncurrent assets:							
Capital assets, net							
Land	124,208	522,268	105,320	32,290	940,739	1,724,825	440,725
Buildings	525,940	2,618,801	3,243,731	4,730,235	570,289	11,688,996	1,459,544
Improvements	13,296,124	22,323,218	22,058,826	15,869,928	2,939,836	76,487,931	285,163
Machinery & equipment	637,077	8,198,823	2,888,132	4,100,816	247,043	16,071,890	6,898,938
Construction In progress	30,405	332,434	34,138	353,238	402,244	1,152,458	95,883
Less accumulated depreciation	(8,852,870)	(16,815,384)	(11,665,205)	(11,764,497)	(605,795)	(49,703,751)	(6,024,912)
Unamortized bond insurance premium	-	14,250	-	-	-	14,250	-
Total noncurrent assets	<u>5,760,883</u>	<u>17,194,410</u>	<u>16,664,942</u>	<u>13,322,010</u>	<u>4,494,355</u>	<u>57,436,600</u>	<u>3,155,341</u>
Total Assets	<u>10,076,424</u>	<u>26,897,161</u>	<u>22,070,471</u>	<u>17,388,207</u>	<u>5,983,411</u>	<u>82,415,675</u>	<u>12,423,309</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows debt refunding	-	-	192,440	178,779	-	371,218	-
Deferred outflows of resources pension	61,903	110,909	30,951	43,848	10,317	257,929	26,680
Total Deferred Outflows of Resources	<u>61,903</u>	<u>110,909</u>	<u>223,391</u>	<u>222,627</u>	<u>10,317</u>	<u>629,147</u>	<u>26,680</u>

LIABILITIES

Current liabilities:

Accounts payable	450,735	242,053	59,275	95,879	33,899	881,841	165,507
Wages and benefits payable	118,643	162,195	46,624	71,581	17,190	416,233	87,682
Due to other funds	327	23,801	6,958	27,119	9,717	67,922	8,277
Due to other governments	56,258	890,776	94,705	8,768	10,115	1,060,622	1,220
Interfund loan payable	-	-	-	-	941,823	941,823	-
Other liabilities	7,460	34,765	15,120	8,795	539,988	606,128	-
Due within one year	36,220	325,000	579,756	191,796	11,324	1,144,096	-
Total current liabilities	<u>669,643</u>	<u>1,678,589</u>	<u>802,438</u>	<u>403,939</u>	<u>1,564,055</u>	<u>5,118,664</u>	<u>262,686</u>

Non current liabilities:

Due in more than one year	880,812	7,515,531	4,858,983	3,527,837	290,036	17,073,199	82,958
Net pension liability	644,648	1,154,994	322,324	456,626	107,441	2,686,033	188,485
Total noncurrent liabilities	<u>1,525,460</u>	<u>8,670,525</u>	<u>5,181,307</u>	<u>3,984,463</u>	<u>397,477</u>	<u>19,759,232</u>	<u>271,444</u>

Total Liabilities

	<u>2,195,103</u>	<u>10,349,115</u>	<u>5,983,745</u>	<u>4,388,401</u>	<u>1,961,532</u>	<u>24,877,896</u>	<u>534,129</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred gain on refunding	-	19,925	13,586	2,783	-	36,293	-
Deferred pension inflows	83,903	150,326	41,952	59,431	13,984	349,596	58,588
Total Deferred Inflows of Resources	<u>83,903</u>	<u>170,251</u>	<u>55,537</u>	<u>62,214</u>	<u>13,984</u>	<u>385,889</u>	<u>58,588</u>

NET POSITION

Net investment in capital assets	4,936,747	9,925,160	11,317,016	9,700,366	4,214,813	40,094,102	3,155,341
Restricted:							
Debt service	52,115	604,525	510,518	284,818	-	1,451,977	-
Construction	469,109	-	674,911	375,682	-	1,519,702	-
Unrestricted	2,401,351	5,959,020	3,752,134	2,799,352	(196,601)	14,715,256	8,701,930
Total Net Position	<u>\$ 7,859,322</u>	<u>\$ 16,488,705</u>	<u>\$ 16,254,579</u>	<u>\$ 13,160,219</u>	<u>\$ 4,018,212</u>	<u>57,781,037</u>	<u>\$ 11,857,271</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net position of business-type activities

10,089,729
\$ 67,870,766

CITY OF ELLENSBURG, WASHINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2017

	Enterprise Funds							Internal Service Funds
	Major Funds				Non-Major		Total	
	Gas	Electric	Water	Sewer	Funds			
Operating revenues:								
Charges for services	\$ 6,973,099	\$ 16,627,731	\$ 4,595,589	\$ 3,998,178	\$ 1,198,406	\$ 33,393,004	\$ 2,228,178	
Miscellaneous	8,835	99,292	18,106	5,878	-	132,112	3,777,821	
Total operating revenues	6,981,934	16,727,023	4,613,695	4,004,056	1,198,406	33,525,115	6,005,999	
Operating expenses:								
Operating expenses	5,462,948	12,346,652	1,898,762	1,660,795	724,837	22,093,993	3,738,908	
Maintenance	398,094	1,509,717	509,874	923,476	107,320	3,448,480	630,904	
Depreciation	478,854	895,367	653,266	585,601	169,885	2,782,973	483,342	
Taxes	584,320	1,386,583	692,002	451,871	14,804	3,129,580	-	
Total operating expenses	6,924,216	16,138,319	3,753,903	3,621,742	1,016,846	31,455,026	4,853,154	
Operating income	57,718	588,705	859,792	382,314	181,560	2,070,089	1,152,845	
Nonoperating revenue (expenses)								
Intergovernmental revenues	-	-	-	-	170,321	170,321	-	
Interest and investment revenue	22,807	61,849	44,288	34,487	9,312	172,744	81,490	
Net change in fair value of investment	(4,889)	(13,018)	(22,916)	(14,779)	246	(55,357)	(26,687)	
Miscellaneous revenue	-	-	-	24,484	-	24,484	-	
Interest expense	(17,071)	(239,501)	(132,521)	(87,779)	(9,023)	(485,894)	-	
Miscellaneous expense	-	(150)	(125)	(26)	-	(300)	-	
Gain/Loss on Assets	-	-	-	-	-	-	43,445	
Total nonoperating revenue (expenses)	847	(190,820)	(111,273)	(43,612)	170,857	(174,002)	98,249	
Income (loss) before contributions & transfers	58,565	397,885	748,519	338,702	352,417	1,896,087	1,251,094	
Capital contributions	-	-	533,434	319,778	73,284	926,497	-	
Transfers in	-	-	-	-	-	-	134,198	
Transfers out	-	-	-	(59,562)	(59,636)	(119,198)	-	
Change in net position	58,565	397,885	1,281,953	598,918	366,065	2,703,386	1,385,292	
Total net position - beginning	7,796,411	16,064,313	14,857,556	12,554,188	3,942,390	55,214,858	10,470,424	
Prior period adjustments	4,346	26,507	115,070	7,113	(290,243)	(137,206)	1,554	
Total net position - ending	\$ 7,859,322	\$ 16,488,705	\$ 16,254,579	\$ 13,160,219	\$ 4,018,212	57,781,037	\$ 11,857,271	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						1,164,582		
Change in net position of business-type activities (page 18)						\$ 3,867,967		

CITY OF ELLENSBURG, WASHINGTON

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2017

	Enterprise Funds						Internal service Funds
	Major				Non Major		
	Gas	Electric	Water	Sewer	Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 6,851,392	\$ 16,344,329	\$ 4,472,424	\$ 3,915,012	\$ 1,401,547	\$ 32,984,705	\$ 99,600
Receipts for interfund services provided	21,323	3,245	43,205	16,672	101,955	186,400	5,842,324
Payments to suppliers	(4,519,337)	(12,263,517)	(1,603,527)	(1,137,447)	(373,064)	(19,896,891)	(3,235,088)
Payment for interfund services used	(1,073,108)	(1,755,285)	(935,129)	(1,033,975)	(390,253)	(5,187,750)	(129,425)
Payments to employees	(1,242,201)	(1,772,804)	(731,039)	(1,002,831)	(250,435)	(4,999,311)	(1,013,999)
Other Operating Cash Receipts	8,835	-	18,106	-	-	26,942	1,569
Net Cash Provided by Operating Activities	46,905	555,968	1,264,040	757,431	489,751	3,114,095	1,564,981
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	-	-	-	134,198
Transfers out	-	-	-	(59,562)	(59,636)	(119,198)	-
Interfund loan receivable (payable)	-	290,000	-	-	-	290,000	(941,823)
Misc revenue	-	-	-	24,484	-	24,484	-
Net Cash Provided (Used) by Noncapital Activities	-	290,000	-	(35,078)	(59,636)	195,286	(807,625)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contribution	-	-	466,671	278,992	-	745,663	-
Loan/grant proceeds	-	-	-	-	170,321	170,321	-
Proceeds from interfund loan	-	-	-	-	941,823	941,823	-
Proceeds from bond	-	-	-	-	-	-	-
Proceeds from sales of assets	-	-	-	-	-	-	43,445
Purchases of capital assets	(381,585)	(392,479)	(585,383)	(893,230)	(1,229,048)	(3,481,725)	(634,723)
Principal paid on capital debt	(34,879)	(320,000)	(567,172)	(188,538)	(10,701)	(1,121,290)	-
Interest paid on capital debt	(165)	(282,575)	(155,648)	(91,442)	(8,371)	(538,201)	-
Debt cost on capital debt	(17,071)	-	-	-	-	(17,071)	-
Net Cash from Related Financing Activities	(433,700)	(995,054)	(841,532)	(894,218)	(135,976)	(3,300,480)	(591,278)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	872,251	500,205	258,603	364,714	-	1,995,773	1,310,474
Investment purchases	(1,534,866)	(1,251,230)	(1,018,919)	(1,141,838)	(30,617)	(4,977,470)	(2,474,140)
Interest and dividends	22,807	61,849	44,288	34,487	10,551	173,982	81,490
Net Cash Provided (Used) by Investing Activities	(639,808)	(689,176)	(716,028)	(742,637)	(20,066)	(2,807,714)	(1,082,176)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,026,603)	(838,261)	(293,519)	(914,502)	274,073	(2,798,813)	(916,097)
Balances - Beginning of the Year	2,328,699	4,602,981	3,006,480	2,853,110	794,114	13,585,384	6,741,204
Prior period adjustment	4,346	26,507	115,070	7,113	-	153,037	1,554
Balances - End of the Year	\$ 1,306,442	\$ 3,791,227	\$ 2,828,031	\$ 1,945,721	\$ 1,068,187	\$ 10,939,608	\$ 5,826,662

**Reconciliation of operating income
(loss) to net cash provided
(used) by operating activities:**

Operating income (loss)	\$ 57,718	\$ 588,705	\$ 859,792	\$ 382,314	\$ 181,560	\$ 2,070,089	\$ 1,152,845
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	478,854	895,367	653,266	585,601	169,885	2,782,973	483,342
Change in assets and liabilities:							
Receivables, net	(101,020)	(326,918)	(78,593)	(72,704)	(13,747)	(592,982)	(50,245)
Due from other funds	637	(9,048)	477	332	4,210	(3,392)	13,841
Due from other governments	-	(43,484)	(1,844)	-	314,633	269,306	(31,039)
Inventories	(41,499)	(65,886)	(32,014)	113	-	(139,286)	(2,023)
Accounts and other payables	(318,747)	(1,128,280)	(187,907)	(56,799)	(118,606)	(1,810,339)	(17,124)
Due to other funds	(24)	21,571	(1,665)	1,365	9,564	30,811	(236)
Due to other governments	56,258	890,776	94,705	8,768	10,115	1,060,622	1,220
Employee benefits	80,308	70,963	29,134	41,989	9,477	231,871	52,600
Deferred outflows of resources	91,194	163,389	45,597	64,596	15,199	379,975	17,531
Deferred inflows of resources	68,499	122,727	34,249	48,520	11,416	285,412	54,140
Net pension liability	(325,273)	(623,915)	(151,157)	(246,664)	(103,957)	(1,450,966)	(109,871)
Net Cash Provided by Operating Activities	<u>\$ 46,905</u>	<u>\$ 555,968</u>	<u>\$ 1,264,040</u>	<u>\$ 757,431</u>	<u>\$ 489,751</u>	<u>\$ 3,114,095</u>	<u>\$ 1,564,981</u>

Noncash Investing, capital, and financing activities:

Contributions of capital assets	-	-	66,763	40,786	73,284	-
Increase in fair value of investments	(4,889)	(13,018)	(22,916)	(14,779)	(1,238)	-

The contribution of capital assets under noncash investing, capital and financing activities is from donated assets

City of Ellensburg, Washington

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2017

	Fire Relief and Pension Fund	Agency Fund
ASSETS		
Cash	\$ 399,174	\$ 190,557
Investments	32,071	-
Receivable (Net)	-	4,705
Special Assessments	-	112,033
Total Assets	431,245	307,295
LIABILITIES		
Accounts Payable	-	-
Notes Payable		112,033
Other Liabilities	1,645	195,262
Total Liabilities	1,645	307,295
NET POSITION		
Net Pension Restricted for Pensions - Ending	429,600	
Total Net Position	\$ 429,600	\$ -

The notes to financial statements are an integral part of this statement.

City of Ellensburg, Washington

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2017

	Fire Relief and Pension Fund
ADDITIONS	
Contributions:	
Employer	141,081
State	20,821
Total Contributions	<u>161,902</u>
Investment Earnings:	
Interest	3,510
Net Change in Fair Value of Investment	(110)
Total Investment Earnings	<u>3,400</u>
Total Additions	<u>165,301</u>
DEDUCTIONS	
Benefits	109,296
Administrative Expenses	11,725
Total Deductions	<u>121,021</u>
CHANGE IN NET POSITION	44,280
Net Pension Restricted for Pensions - Beginning	385,320
Net Pension Restricted for Pensions - Ending	429,600
Total Net Position	<u><u>429,600</u></u>

The notes to financial statements are an integral part of this statement.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

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City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ellensburg have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

The City of Ellensburg voters elect seven Council members on a non-partisan basis to serve overlapping 4-year terms. The council is the legislative body and has a quasi-judicial role dealing with land use matters. Every two years, the body elects one of its members to serve as Mayor. The Council appoints a City Manager that is responsible for the day-to-day operations of the City.

A. Reporting Entity

The City of Ellensburg was incorporated on November 26, 1883 and operates under the laws of the state of Washington applicable to a Noncharter Code City. As required by the generally accepted accounting principles the financial statements present City of Ellensburg, the primary government and its component units. At this time, there are no component units to report.

The City is a general-purpose government and provides public safety, animal control, street improvement, transit services, parks and recreation, library services, planning and zoning, and general administration. In addition, the City owns and operates the following utilities: telecommunications, gas, electric, water, stormwater and wastewater collection and treatment. The accompanying financial statements present the government entity for which the government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's gas, water, electric, and sewer functions and other activities of the government. Elimination of these

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

charges would distort the direct cost of program revenue reported for the various functions concerned. Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general fund is the operating fund of the City. It accounts for all financial resources of general government, except those required or elected to be accounted for in another fund. This fund includes the City's budgeted General Fund (001), Sales Tax fund (140), and Police Vehicles (159).

Arterial Street Fund - This fund accounts for maintenance of transportation improvements within the public rights of way and the construction of streets, bridges, trails, and traffic signals. The majority of the revenue in this fund is from the receipt of grant revenues and fuel excise tax revenue restricted for the maintenance and construction of the City streets. This fund includes the City's budgeted Arterial Street (123) and Street (120).

The City reports the following major proprietary funds:

Gas Fund - This fund accounts for the activities of the City's gas distribution operations. The major source of revenue is the sale of gas and the bulk of its expenses are the purchase of gas for resale and labor to main gas lines and meters.

Electric Fund - This fund accounts for the activities of the City's electric distribution operations. The major source of revenue is the sale of electricity and the majority of the expenses are the purchase of power and labor to maintain assets.

Water Fund - This fund accounts for the activities of the City's water pumping and distribution operations. The source of revenue is the sale of water and the expenses are water pumping, storage, and purification costs.

Sewer Fund - This fund accounts for the activities of the City's sewer treatment plant, sewer pumping station, and collection system. The fund is supported through service charges and the expenses are costs comprised of labor and materials for repairs and maintenance.

Additionally, the City reports the following fund types:

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Special Revenue Funds- These funds account for revenue from specific taxes or other earmarked revenue sources that by law are designed to finance particular functions or activities of the city.

Traffic Impact Fees- A fund used to account for the use of traffic impact fees that is to be used for new growth and development.

Ellensburg Public Transit- A fund used to account for the monies derived from a voter approved 2/10 of one percent retail sales tax and the use thereof.

Criminal Justice Fund- A fund used to account for the 3/10 of one percent sales taxes to be spent on criminal justice activities.

Drug Fund- A fund used to account for the monies derived from the forfeiture of property in connection with drug investigations.

CATV- A fund used to account for the University operation of the Ellensburg Community Television station.

CATV Capital Outlay- A fund used to account for the maintenance and purchase of capital expenditures relating to the CATV fund. In 2017 the fund balance was transferred to CATV with the approval of City Council.

Park Acquisition- A fund used to account for the maintenance and construction of path and trail development, and the acquisition of new parks.

Art Acquisitions- A fund established in 2016 to fund public art acquisition and promotion.

Lodging Tax- A fund used to account for the use of lodging tax revenue.

C.H.I.P Reserve- A fund used to account for activities relating to CDBG guidelines. In 2017 the fund balance was transferred to the General Fund with the approval of City Council.

Debt Service Funds- These funds account for the resources accumulated for the payment of interest and principal on long-term general obligation debt of governmental funds.

G.O. Maintenance Bond (2010) - A fund used to account for the payment of debt on various maintenance and capital projects through-out the city.

G.O. Bonded Library Debt (Refunded 2014) - A fund used to account for the payment of debt on the remodel and expansion of the City of Ellensburg Library.

G.O. Facilities Capital (2017) - A fund used to account for the payment of debt on the Capital Improvements for Governmental facilities.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Capital Projects Funds- These funds account for financial resources used for the construction and acquisition of major capital facilities other than those financed by special assessments or proprietary funds.

Facility Capital - A fund used to account for 2017 G.O. Bonds issued for the purpose of providing funds necessary to pay for the cost of renovating and upgrading the Public Safety building and other various capital projects.

Capital Projects - A fund used to account for the purchase of regional and local general government capital outlays.

Sidewalk Construction - A fund used to account for the repairing of sidewalks in the City's residential areas and Central Business District.

Internal Service Funds - These funds account for operations that provide goods or services to other departments or funds of the City or to other governmental units on a cost-reimbursement basis. The Equipment Rental and Revolving (ER&R), IT and Risk Management Fund are predominantly used by enterprise funds. Therefore, based on GASB 34 paragraph 62, the internal service funds residual assets and liabilities should be reported in the business-type activities column of the statement of net position. The Health and Benefits Fund is predominantly used by governmental funds therefore the assets and liabilities of the Health and Benefit Fund should be reported in the governmental-type activities.

Pension Trust Funds – This fund accounts for the activities of the Firefighters' Pension Fund (RCW 41.16.050), which accumulates resources for pension benefit and postemployment health care benefit payments to qualified public safety employees

Agency Funds - The City of Ellensburg has three agency funds. Agency Funds account for assets held by the City as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City has three Agency Funds: LID Guarantee, LID, and Intergovernmental Custodial.

C. Measurement focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 30 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 30 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of storm water, water, sewer, gas, and light are charges to customers for sales and services. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets and Budgetary Accounting

(1) Scope of Budget

Appropriated budgets are adopted on a biennial schedule for the general and special revenue funds on a modified accrual basis of accounting and for all proprietary funds on the accrual basis of accounting. There are no differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for annually budgeted governmental funds only. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects. Since these funds are not required to be budgeted on an annual basis, budgetary comparisons are not presented. NCGA Statement 1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Appropriated budgets are adopted at the level of the fund and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

(2) Amending the Budget

The City Manager is authorized to transfer budgeted amounts within an approved amount; 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 Council by a supplemental appropriation ordinance (in accordance with biennial budget requirements).

When the City determines that it is in the best interest of the city to increase or decrease the appropriation for a particular fund and/or department, it may do so by ordinance approved by one more than the majority after holding public hearing(s).

All appropriations expire at the end of the fiscal year and must be re-appropriated for the next fiscal year. Encumbrances are integrated into the accounting system but are not reported in the financial statements.

The governmental financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

(3) Excess of Expenditures over Appropriations

For the year ended December 31, 2017, in no fund did expenditures exceed appropriations. In 2017, the fund balance (\$7,402.53) was transferred to the General Fund without having a specific line item transfer amount. The authority was included in Ordinance No. 4782.

E. Assets, Liabilities, Fund Balance, Net Position

(1) Cash and Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2017, the treasurer was holding \$27,720,669 in short-term residual investments of surplus cash and deposits with fiscal agents. This amount is classified on the Statement of Net Position as cash and equivalents in various funds. The interest on these investments is prorated to the various funds.

The amounts reported as cash and cash equivalents also includes a compensating balance maintained with U.S. Bank in lieu of payments for services rendered. The average compensating balance maintained during 2017 was approximately \$3,191,892.

City of Ellensburg, Washington
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For the Year Ended December 31, 2017

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents (See Note 3).

The City's deposits are entirely covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

(2) Deposits and Investments - See Note 3

(3) Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Note 4). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2017, the balance of special assessments receivable was \$111,655. The special assessments are not with government commitment; therefore, they are reported in the LID Agency Funds. Special Assessments are reported in fiduciary funds and therefore are not included in the Government-Wide Statements.

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

(4) Amounts Due to and from Other Funds and Governments, Interfund Loans, and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to either as interfund loans receivables/payables or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Interfund Balances and Transfers Note 12.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(5) Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are-consumed. The

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the weighted average method, (which approximates the market value).

(6) Restricted Assets

These accounts contain resources for construction and debt service including current and delinquent special assessments receivable in enterprise funds. The current portion of related liabilities is shown as Payables from Current Restricted Assets. Specific debt service reserve requirements are described in (Long-Term Debt Note 8).

The restricted assets of the enterprise funds are composed of the following:

Cash and Investments - Debt Service	1,451,977
Cash and Investments - Construction	<u>1,519,702</u>
Total Restricted Assets	<u>\$ 2,971,679</u>

(7) Capital Assets and Depreciation

General Policies

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure capital assets worth individual or system cost of \$50,000 or more are also capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Cost for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

Assets are placed in service when they are ready and available for their intended use. The cost for normal maintenance and repairs are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building/Improvements	20-50
Infrastructure	25-50
Machinery and Equipment	4-45
Vehicles	5-12
Land Improvements	25-50

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(8) Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualifies for reporting in this category. One is the deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second, pension, is the recognition of the adjustments to prior and current year contributions to satisfy the requirements in GASB Statement No. 68. The adjustment will be amortized over 4.4 years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet and the business activity statements. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The business type reports unavailable revenues from one source, a deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third is the recognition of the net effect of the change in proportion on beginning reported balances to prior and current year contributions to satisfy the requirements in GASB Statement No. 68. Deferred inflows account for the difference between expected and actual earnings.

(9) Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation paid time off (PTO) and sick leave. Compensated absences are reported in governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employees' resignation or retirement.) All vacation and sick pay is accrued at year end in the government-wide, proprietary, and fiduciary fund financial statements. In government-wide statements, all governmental funds compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liability in the fund that will pay for them. In proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

Vacation pay, which may be accumulated up to a maximum of 30 days, is payable upon resignation, retirement, or death. PTO has a maximum accumulation dependent upon years of service. Sick leave may accumulate indefinitely. Fifty percent of a maximum of 960 hours of

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Notes to Basic Financial Statements
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outstanding sick leave is payable upon resignation, retirement, or death to those employees hired prior to July 1, 1985. As of December 31, 2017, we have 3 employees employed prior to July 1st, 1985. They have a total of 5,318 hours accumulated of which 1,440 hours is compensable at the current rate. Employees hired after July 1, 1985, do not receive a payout for outstanding sick leave upon resignation, retirement, or death.

(10) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and the Fire Relief and Pension Fund, (a single employer defined benefit plan of which the City of Ellensburg is the administrator), and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems, or in the case of the Fire Relief and Pension Fund, the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Leoff's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. The City has elected to calculate information of an actuarial nature using the alternative measurement method permitted by GASB Statement 45 for plans with fewer than one hundred employees.

(11) Other Liabilities

This account consists of interest payable and other miscellaneous payables such as excise tax payable.

(12) Long-term Debt - See Note 8

(13) Fund Balance Classification

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Non-spendable- The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted- Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

City of Ellensburg, Washington
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For the Year Ended December 31, 2017

Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purpose specified by the legislation.

Fund	Amount Restricted	Reason for Restriction
Traffic Impact (125)	\$ 1,235,347	Restricted by third party (state law), revenue must be used for traffic purposes
Transportation Benefit District (127)	\$ 637,831	Restricted by third party (voted sales tax revenue, restricted by law), revenue must be used for public transportation
Criminal Justice (130)	\$ 917,087	Restricted by third party (voted sales tax revenue, restricted by law), revenue must be used for public safety purposes
Drug (137)	\$ 16,875	Restricted by third party (state law), revenue must be used for public safety drug investigation purposes
Park Acquisition (160)	\$ 672,348	Restricted by third party (state law), revenue must be used for the development of parks
Lodging Tax (165)	\$ 575,226	Restricted by third party (state law), revenue must be used for expenditures relating to tourism
Library Construction (230)	\$ 78,563	Restricted by third party (voted on by citizens), revenue must be used for the repayment of debt
Facility Capital (340)	\$ 77,972	Restricted by bond covenant
Sidewalk Improvements (366)	\$ 595,276	Restricted by third party (state law), revenue must be used for sidewalk developments
Library Trust (605)	\$ 294,815	Restricted by third party (restricted donations), revenue must be used for the purpose of library operations
Hal Holmes Trust (621)	\$ 520,798	Restricted by third party (restricted donations), governed by a separate board, revenue must be used for the purpose of Hal Holmes and Library facilities
Total Restricted	\$ 5,622,139	Total Amount Restricted

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance in that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue: therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The City does not have a formal policy for authorizing the assignment of resources. The City uses the natural flow of revenue which implies the City will use restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available.

The flow assumption of the City is to reduce restricted amounts first, followed by committed, and then assigned and lastly unassigned.

(14) Minimum Fund Balance

It is essential that the City maintain adequate levels of unrestricted fund balance to mitigate current and future risks and ensure stable tax rates. As such, unrestricted ending fund balances, excluding contingency and cumulative reserve funds, for the operating funds (all funds except Debt, Capital, and proprietary funds) will have a targeted minimum of 15% of operating expenditures in unrestricted ending fund balance. Proprietary funds, such as utility funds and internal service funds will maintain a targeted minimum unrestricted ending fund balance of two months operating expenses in addition to all other legally required reserves.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes a reconciliation of the governmental funds balance sheet to the statement of net position. This reconciliation is necessary because of the differences in accounting basis, most significantly the differences in accounting for capital assets, debt, GASB 68 adjustment, and that portion of the Health Benefit internal service fund that is attributed to governmental activities. This information can be found on the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position form on page 22.

City of Ellensburg, Washington
Notes to Basic Financial Statements
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The proprietary funds' Statement of Net Position reports a difference in the net position balance to the Government-wide Statement of Net Position due to internal service fund activity. Internal service funds are used by management to charge the cost of certain activities to individual fund. The net profit for Health Benefit Fund before investment income, gain on sale of asset and outside revenue source \$208,813. This amount was attributed to governmental activities. The governmental fund portion was treated as an interactivity payable for the ER&R, IT and Risk Management internal service funds and as an interactivity receivable for the Health and Benefits included in the internal balance on the Government-Wide Statement of Net position.

Internal Service Fund Net Position (Page 132)	\$11,857,271
Less: Health and Benefits Fund (Adjusted for 2017 Internal Service Allocation)	(1,329,642)
Internal Service Funds Governmental-Type Activities Portion (page 22)	(437,900)
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	\$10,089,729

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances - total governmental funds to changes in net position of governmental activities as reported in the government-wide statements of activities. Elements of the reconciliation include governmental funds reporting capital outlays as expenditures. However, in the statement of activities the cost is allocated over their estimated useful lives and reported as depreciation expense; the net effect of other transactions involving capital assets (donations); issuance, repayment, and other costs associated with the long-term debt; GASB 68 pension expense; and the net revenue of the internal service funds which are allocated to the governmental funds. This information can be found on the reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities on page 24.

The proprietary funds' Statement of Revenues, Expenses, and Changes in Fund Net Position reports a difference in the net position balance to the Government-wide Statement of Activities. This information can be found on the reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities on page 24.

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Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position for Internal Service Funds (page 133)	\$1,385,292
Internal Service Fund Governmental Type Activities Portion (page 24)	(219,156)
Prior Period Adjustment Internal Service Funds	<u>1,554</u>
Government-Wide Statement of Changes in Net Position for Internal Service Funds (page 30)	<u>\$1,167,691</u>

3. DEPOSITS AND INVESTMENTS

A. Deposits

As of December 31, 2017, cash on hand was \$28,310,400. The carrying amount of the city's cash deposits was \$28,310,400 and the US Bank checking balance was \$2,523,827 with in-transit debits of \$233,174. The detail is as follows:

December 31, 2017 ending cash balances	
CASH	
<u>From Government Wide Balance Sheet</u>	
Cash and cash equivalents	21,438,285
Deposits with fiscal agents	526,440
Restricted assets:	
Cash and cash equivalents	5,755,943
<u>From Fiduciary Statements</u>	
Fire Relief & Pension Fund	399,174
Agency Funds	<u>190,557</u>
Total	<u>28,310,400</u>
CASH	
<u>Cash accounts</u>	
LGIP	25,476,153
Petty Cash	7,845
Treasurer's Checkbook	2,290,653
Hal Holmes	450,803
Advance Travel	9,309
First Choice Health Pre Funded	<u>75,637</u>
Total	<u>28,310,400</u>

Custodial Credit Risk- Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City of Ellensburg's deposits are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the city's deposits. The

City of Ellensburg, Washington
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deposit balances over \$250,000 are insured by the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

B. Investments

Investments are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in the fair-value of investment is recognized as an increase or decrease to the investment assets and investment income.

Interest Rate Risk- Interest rate risk is the risk the city may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to interest rate risk, the City's investment policy requires that it diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City structures the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City also invests operating funds primarily in shorter-term securities and restricts the maximum investment term to less than five years from the purchase date.

Credit Risk- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments to those authorized by State Statute as detailed in RCW 39.59.020, RCW 39.59030, and RCW 43.84.080. Within the securities authorized by State statute, the city's investment policy further seeks to limit credit risk by concentrating the investments in the safest types of securities; pre-qualifying the financial institution, broker/dealers, intermediaries, and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. Additionally, the investment policy requires active monitoring of the portfolio holdings for rating changes, changing economic/market conditions and any other conditions or events that might put investment holding at unnecessary risk levels.

At December 31, 2017, the city's total investments (Government Wide and Fiduciary Funds) had the following credit quality distribution for securities with credit exposure:

Investment Type	Fair Value	Ratings	
		S&P	Moody's
U.S. Agency Securites			
Federal Farm Credit Bank	3,205,670	AA+	AAA
Federal Home Loan Bank	1,491,091	AA+	AAA
Federal Home Loan Mortgage Corpotation	4,702,860	AA+	AAA
Federal National Mortgage Association	2,211,592	AA+	AAA
Resolution Funding Corporation	494,137	AA+	AAA
Subtotal	12,105,350		
U.S. Treasury Securities			
U.S. Treasury Notes	480,334	AA+	AAA
Total	12,585,684		

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Custodial Credit Risk- The City’s investment policy excludes certain investment activity allowed by State Statutes such as repurchase, reverse-repurchase agreements, or securities lending; therefore, no custodial credit risk exists. All investments are held in the City’s name by the City’s safekeeping bank and City policy states that all security transactions will be settled on a “delivery versus payment” basis by the safekeeping bank.

Concentration of Credit Risk- Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. As outlined in the City’s investment policy, the City diversifies its investments by security type and institution. 100% of the city’s portfolio may be invested in US Treasury Bills, Notes, Bonds, Certificates, State of Washington Investment Pool, US Government Agencies and Instrumentalities. 50% of the portfolio may be invested in Certificates of Deposit with no more than 10% held by any one issuer and not exceeding 5% of the issuer’s net worth. 25% of the portfolio may be invested in Prime Bankers Acceptances, Bonds of State of Washington/Local Governments, limiting to 10% per issuer. 10% of the portfolio may be invested in General Obligation Bonds issued by other states and local governments, Commercial Paper, or Other Authorized Investments (with no more than 10% per issuer).

The table below identifies the types of investments, concentration of investments in any one issuer, and maturities of the City’s investment portfolio as of December 31, 2017:

Investment Type	Fair Value	Maturities		% of Total Portfolio
		Less Than 1 Year	1 to 5 Years	
Federal Farm Credit Bank	3,205,670		3,205,670	8.32%
Federal Home Loan Bank	1,491,091	996,749	494,342	3.87%
Federal Home Loan Mortgage Corporation	4,702,860	1,993,042	2,709,818	12.21%
Federal National Mortgage Association	2,211,592		2,211,592	5.74%
Resolution Funding Corp Federal	494,137		494,137	1.28%
U.S. Treasury Notes	480,334		480,334	1.25%
Subtotal	12,585,684	2,989,791	9,595,893	32.68%
Local Government Investment Pool*	25,476,153	25,476,153		66.15%
Held by Trustee: Hal Holmes Memorial Trust	450,803		450,803	1.17%
Total	38,512,640	28,465,944	10,046,696	100.00%
Percentage of Total Portfolio		74%	26%	100.00%

*The fair value of the investments in the Washington State Local Government Investment Pool are the same as the amortized cost of the pool shares and are considered Cash and Cash Equivalents.

Investments in Local Government Investment Pool (LGIP)- The City of Ellensburg is a participant the Local Government Pool authorized by Chapter 294, Laws of 1986. The LGIP is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the state that created the pool and adopts rules. The State Treasurer is

City of Ellensburg, Washington
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responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

As of December 31, 2017, the City of Ellensburg held \$25,476,153 in investments in the LGIP. Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investment pool that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Investments Measured at Fair Value- The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liability in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2017, the City had the following investments measured at fair value: The Hal Holmes Trust fund securities of \$450,803, held by Bank of America, are valued using quoted market prices (Level 1 inputs); U.S. Treasury securities of \$480,334 and the Federal Agency Securities of \$12,105,349, held by the City’s Safekeeping Operations at U.S. Bank, valued using a matrix pricing model (Level 2 inputs).

At December 31, 2017, the City had the following investments measured at fair value:

Investment by Fair Value Level	Total 12/31/2017	Fair Value Measurement Using		
		Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury securities	480,334		480,334	
Federal Agency securities	12,105,349		12,105,349	
Held by Trustee:	-			
Hal Holmes Memorial Trust	450,803	450,803		
Total Investments measured at fair value	13,036,486	450,803	12,585,683	-

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Summary of Deposit and Investment Balances- Reconciliation of City deposits and investment balances as of December 31, 2017, are as follows:

Reconciliation of cash and investments by type to the financial statements is detailed in the following tables:

Cash & Investments by Type

State Investment Pool (LGIP)	25,476,153
Claims checks in transit at 12/31/17	(328,372)
Payroll checks in transit at 12/31/17	(7,219)
Treasurer's checks/credits in transit at 12/31/17	(14,366)
U.S. Bank Municipal checking account end balance	2,523,826
U.S. Bank deposits/credits in transit	116,782
Petty Cash/Advance Travel/CIF	17,155
Federal Farm Credit Bank	3,205,670
Federal Home Loan Bank	1,491,091
Federal Home Loan mortgage Corporation	4,702,860
Federal National Mortgage Association	2,211,592
Resolution Funding Corp Strip Principal	494,137
U.S. Treasury Notes	480,334
Hal Holmes Memorial Trust	450,803
Health & Benefits Fund	75,637
Grand total Cash & Investments by Type	40,896,082

Cash & Investments by Fund

	Governmental	Enterprise Funds	Internal Service	Fiduciary	Total
Cash & Equivalents	10,503,597	7,540,873	3,393,815	589,731	22,028,016
Deposits with Other Agents	450,803		75,637		526,440
Restricted Cash		3,398,734	2,357,209		5,755,943
Investments	4,202,953	6,010,109	2,340,550	32,071	12,585,683
Totals	15,157,353	16,949,716	8,167,211	621,802	40,896,082

Total of all Funds

	Government Wide - All Funds	Fiduciary	Total
Cash & Equivalents	21,438,285	589,731	22,028,016
Deposits with Other Agents	526,440		526,440
Restricted Cash	5,755,943		5,755,943
Investments	12,553,612	32,071	12,585,683
Totals	40,274,280	621,802	40,896,082

Gains and Losses on Investments- Cash and investments are managed under the guidance of the City's Investment Policy. Safety of investment principal is the foremost objective of the City's investment program; and return on investment is of secondary importance compared to the safety and liquidity objectives of the City. Accordingly, the investment portfolio is structured to remain sufficiently liquid to meet all operating requirements that may be

City of Ellensburg, Washington
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reasonably anticipated; thereby avoiding the need to sell securities on the open market prior to maturity. The majority of the portfolio is limited to highly rated/low-risk securities in anticipation of earning a fair return relative to the risk being assumed. With few exceptions, it is the City's policy that securities shall not be sold prior to maturity in order to maintain a market rate of return. For GASB 72 purposes, at year end, investments were converted to fair market value in the event of sale of investments prior to their maturity. This resulted in an unrealized loss in the overall portfolio of \$119,629. Investments held with a trustee at the Bank of America for the Hal Holmes Memorial Trust had an overall unrealized gain in fair market value of \$64,200.

4. PROPERTY TAXES

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

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
Mid- February	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property tax is recorded as a receivable when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectable. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The City may levy up to \$ 3.375 per \$1,000 of assessed valuation for general governmental services, subject to three limitations:

Washington State law in RCW 84.55.010 and RCW 84.55.0101 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 1 percent due to revaluation, the levy rate will be decreased.

Chapter 84.52 RCW establishes a limitation on the levies for ports, public utilities, state schools, emergency medical services, counties, roads, cities, and towns. All other regular levies are proportionately reduced if a composite rate of \$5.90 per thousand is exceeded. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

The City's regular levy for 2017 was \$1.982002 per \$1,000 on an assessed valuation of \$1,481,783,012 for a total regular levy of \$2,936,897. In addition, the levy for debt service on a voter approved bond issue was \$0.119205 per \$1,000 on an assessed valuation of \$1,468,047,982 for a total of \$174,999.

City of Ellensburg, Washington
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For the Year Ended December 31, 2017

5. CAPITAL ASSETS AND DEPRECIATION

A. Governmental Activities Capital Assets

Asset	Beginning Balances 1/1/2017	Increase	Decrease	Ending Balance 12/31/2017
Capital assets, not being depreciated				
Land	\$ 12,814,618	\$ 101,819		\$ 12,916,437
Construction In progress	466,883	168,681	329,208	306,357
Total	13,281,501	270,500	329,208	13,222,794
Capital assets, being depreciated				
Buildings	11,534,902	-		11,534,902
Improvements other than building	3,617,131	491,888		4,109,019
Machinery & equipment	1,148,548		151,970	996,578
Infrastructure	65,516,253	2,505,672		68,021,925
Total	81,816,834	2,997,560	151,970	84,662,424
Less accumulated depreciation for				
Buildings	6,141,993	337,538		6,479,531
Improvements other than buildings	2,247,711	276,028	154,479	2,369,260
Machinery & equipment	836,568	79,571	151,970	764,169
Infrastructure	37,056,888	2,203,120		39,260,008
Total	46,283,161	2,896,258	306,449	48,872,969
Total capital assets, being depreciated, net	35,533,673	101,303	(154,479)	35,789,455
Total	\$ 48,815,174	\$ 371,803	\$ 174,729	\$ 49,012,250

- The increase to construction in progress is due to the start of a restroom at Veterans Memorial Park, transportation projects related to streets, and the John Wayne trail project. The decrease in construction in progress is completion of projects such as 7th Ave Bike Boulevard, John Wayne Trail improvements and Vantage/Pfenning Road project.
- The increase to land is the purchase of land parcels (205 W Bender), closing costs for the land swap (Dolarway Road) and associated costs related to the Water Street Building demolition.
- The decrease to machinery and equipment includes the surplus of Police vehicles and surplus sale of a portable ADA toilet.
- Increases in Improvements includes adding an irrigation system to the Dog Park and completion of the John Wayne Trail improvement from 18th Ave. to Greenfield.
- The significant increase in Infrastructure includes the completions of Vantage Highway project, alley reconstruction, lighting replacements with LED lights, sidewalks and donated infrastructure.

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Accumulated Depreciation & Depreciation Expense- Depreciation expense was charged to functions/programs of the primary governments as follows:

Governmental Activities	Amount
General Government	\$222,582
Security of Person	\$59,177
Culture and Recreation	\$397,403
Transportation	\$2,062,617
Total	\$2,741,779

Net Investment in Capital Assets

Governmental Activities

Capital assets not being depreciated	\$ 13,222,794
Capital assets being depreciated	84,662,424
Less accumulated depreciation	(48,872,969)
Less GO Bonds	(2,971,200)
Less bond premium and accrued interest	(121,722)
Plus Bond Cash- Unspent Portion (Less Accounts Payable)	130,258
Governmental Activities, net investment in capital assets	\$ 46,049,585

B. Proprietary Fund Capital Assets

Capital assets of proprietary funds are capitalized in their respective balance sheets. Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property, are charged to operating and maintenance expense.

Internal Service Fund- Rolling stock and equipment in the Shop are depreciated using the straight-line method with useful lives of 4 to 45 years.

City of Ellensburg, Washington
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Business Type Assets	Beginning Balances 1/1/2017	Increase	Decrease	Ending Balance 12/31/2017
Capital Assets, not being depreciated				
Land	\$ 1,149,112	\$ 1,016,438	\$ -	\$ 2,165,550
Construction in progress	3,343,223	304,100	2,398,982	1,248,338
Total	4,492,335	1,320,537	2,398,982	3,413,887
Capital Assets, being depreciated				
Building	12,917,505	231,036	-	13,148,541
Improvements other than building	73,767,476	3,103,893	-	76,871,369
Machinery & equipment	21,082,534	2,040,797	250,780	22,872,552
Total	107,767,515	5,375,726	250,780	112,892,462
Less accumulated depreciation for				
Building	4,852,993	353,858		5,206,851
Improvements other than building	34,367,067	1,809,720		36,176,787
Machinery & equipment	13,493,066	1,102,735	250,780	14,345,021
Total	52,713,126	3,266,313	250,780	55,728,659
Total capital assets, being depreciated, net	55,054,389	2,109,413	-	57,163,803
Total	\$ 59,546,724	\$ 3,429,951	\$ 2,398,982	\$ 60,577,689

- The increase in land is the purchase of Dolarway/Enterprise Way property to be used for flood plain levee construction and this was funded by a Department of Ecology grant and purchase of land for future wells.
- Additions to construction in progress include the following projects: Reecer Creek levee, electrical upgrades to the Shop and the Waste Water Treatment Plant, Bull Road extension, and Illinois Well development projects. The decrease in construction in progress is the completion of the Airport Wellhouse, Vantage/Pfenning intersection, dredge pump, UV construction, and a generator and backup server placed into service in 2017 (moved from construction in progress).
- The increase in buildings is the addition of a Telecom owned Hut and a Decant Breezeway at the Shop.
- Additions to non-building improvements include: Airport Wellhouse construction, Capital/Anderson/ Main reconstruction, Vantage Hwy/Pfenning intersection, Sanders Mill East of Greenfield extension, new entrance/driveway at the shop, US 97/ University Way, Water Street service extensions, and new mains and services.
- Additions to machinery and equipment included; new meters and valves, sewer dredge pump, UV equipment, and sewer television camera, electrical station equipment, primary distribution, and electrical diagnostic tool, gas fusion machine and remote methane leak detector, IT generator and backup server, two police vehicles, backhoe/loader, turf sweeper,, salt & sand spreader and various other vehicles. The decrease in machinery and

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equipment is the surplus of various older vehicles, meters, small equipment and replacement of paving and older gas pumps retired.

Accumulated Depreciation & Depreciation Expense- Depreciation expense was charged to proprietary funds as follows:

Business-Type Activities	Amount
Utilities	\$2,782,973
Internal Service	\$483,340
Total	\$3,266,313

Net Investment in Capital Assets

Enterprise Activities

	Telecommunications	Storm Water	Gas	Electric
Capital assets	\$ 1,937,371	\$ 3,162,779	\$ 14,613,753	\$ 33,995,543
Less accumulated depreciation	(331,128)	(274,667)	(8,852,870)	(16,815,384)
Less bond payable (current and L-T)	(279,542)		(824,136)	(7,255,000)
Enterprise Activities, net investment				
in capital assets	<u>\$ 1,326,702</u>	<u>\$ 2,888,112</u>	<u>\$ 4,936,747</u>	<u>\$ 9,925,160</u>

Net Investment in Capital Assets

Enterprise Activities

	Water	Sewer	Equipment and Revolving	Information Services
Capital assets	\$ 28,330,146	\$ 25,086,507	\$ 8,333,993	\$ 846,260
Less accumulated depreciation	(11,665,205)	(11,764,497)	(5,371,315)	(653,597)
Less bond payable (current and L-T)	(5,347,926)	(3,621,644)		
Enterprise Activities, net investment				
in capital assets	<u>\$ 11,317,016</u>	<u>\$ 9,700,366</u>	<u>\$ 2,962,678</u>	<u>\$ 192,663</u>

Internal service funds ER&R and IT predominately serve the enterprise funds. Accordingly, capital assets for them are part of the Business Activities.

There are no intangible assets to report for 2017 based on GASB 51 which states that if the intangible asset has an indefinite life or was internally generated then the entity is not required to retro back to previous years. All intangible assets received before 2017 either have an indefinite life or were internally generated (i.e. computer software). All intangible asset received in 2017 did not meet the threshold for reporting purposes.

City of Ellensburg, Washington
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6. PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	\$ 7,017,904
Pension Assets	\$ 1,598,713
Deferred Outflows of Resources	\$ 1,236,004
Deferred Inflows of Resources	\$ 1,348,647
Pension Expense	\$ 729,451

State Sponsored Pension Plans

Substantially all the City’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

Public Employees’ Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially

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reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1**-member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	11.18%	6.00%
July - December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The City's actual contributions to the plan were \$462,204 for the year ended December 31, 2017.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a

City of Ellensburg, Washington
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reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer	Employee 2*
January - June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%
July - December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.70%	7.38%

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017
 And 18.35% for July – December 2017

The City’s actual contributions to PERS Plan 2/3 the plan were \$629,716 for the year ended December 31, 2017.

Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned

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officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

City of Ellensburg, Washington
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For the Year Ended December 31, 2017

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January - June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
Total	5.23%	8.41%
Ports and Universities		
Administrative Fee	0.18%	
Total	8.59%	8.41%
July - December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities		
Administrative Fee	0.18%	
Total	8.93%	8.75%

The City's actual contributions to the plan were \$115,899 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$44,346.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* And the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled

City of Ellensburg, Washington
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Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

City of Ellensburg, Washington
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For the Year Ended December 31, 2017

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	(6.5%)	(7.5%)	(8.5%)
PERS 1	\$ 4,237,215	\$ 3,478,285	\$ 2,820,888
PERS 2/3	8,463,313	3,141,420	(1,219,083)
LEOFF 1	(451,474)	(608,648)	(743,625)
LEOFF 2	214,249	(990,065)	(1,971,290)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a total pension liability of \$ 6,619,705 for its proportionate share of the net pension liabilities and \$1,598,704 of the net pension assets as follows:

	Liability or (Asset)
PERS 1	\$3,478,285
PERS 2/3	3,141,420
LEOFF 1	(608,648)
LEOFF 2	(990,065)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	608,648	990,065
State's proportionate share of the net pension asset associated with the employer	4,116,880	642,237
TOTAL	4,725,528	1,632,302

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.071927%	0.073303%	0.001376%
PERS 2/3	0.087856%	0.090413%	0.002557%
LEOFF 1	0.039631%	0.040116%	0.000485%
LEOFF 2	0.069861%	0.071347%	0.001486%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the City recognized pension expense as follows:

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	Pension Expense
PERS 1	\$284,305
PERS 2/3	437,800
LEOFF 1	(102,273)
LEOFF 2	36,117
TOTAL	\$655,948

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments		(129,800)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	235,017	
TOTAL	\$235,017	(\$129,800)

PERS Plan 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$318,300	(\$103,316)
Net difference between projected and actual investment earnings on pension plan investments		(837,427)
Changes of assumptions	33,368	
Changes in proportion and differences between contributions and proportionate share of contributions	164,833	(50,017)
Contributions subsequent to the measurement date	343,916	
TOTAL	\$860,416	(\$990,760)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments		(56,558)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL	\$0	(\$56,558)

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$43,515	(\$37,545)
Net difference between projected and actual investment earnings on pension plan investments		(222,277)
Changes of assumptions	1,192	
Changes in proportion and differences between contributions and proportionate share of contributions	15,284	(11,743)
Contributions subsequent to the measurement date	60,308	
TOTAL	\$120,299	(\$271,565)

TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$361,815	(\$140,861)
Net difference between projected and actual investment earnings on pension plan investments		(1,246,061)
Changes of assumptions	34,560	
Changes in proportion and differences between contributions and proportionate share of contributions	180,117	(50,017)
Contributions subsequent to the measurement date	639,240	
TOTAL	\$1,215,732	(\$1,436,939)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as:

Year ended	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2
December 31				
2018	(\$87,736)	(\$322,313)	(\$35,495)	(\$99,867)
2019	27,700	121,913	9,573	25,373
2020	(6,432)	(51,436)	(3,823)	(13,009)
2021	(63,332)	(321,877)	(26,813)	(95,317)
2022		43,241		(5,134)
Thereafter		56,213		(23,618)
TOTAL	(\$129,800)	(\$474,259)	(\$56,558)	(\$211,573)

A. Single Employer Defined Benefit Plan

City of Ellensburg, Washington
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For the Year Ended December 31, 2017

Pension Amounts - Firefighter Pension Fund	
Pension Liabilities	\$ 398,200
Pension Assets	\$ -
Deferred Outflows of Resources	\$ 20,272
Deferred Inflows of Resources	\$ -
Pension Expense	\$ -

The City is also the administrator of a pension retirement system called the Fire Relief and Pension Fund, a single employer defined benefit plan. The system is shown as a trust fund in the financial reports of the City. The system provides retirement, disability, and death benefits to members and beneficiaries. The system is closed with no active members.

As of December 31, 2017, there were a total of 7 individuals (all retirees) covered by this system. Six of them are retirees, and one is a widow of a retiree.

Firefighters' Pension Fund (RCW 41.16.050) – The state contributes 25% of the taxes on fire insurance premiums to these plans and is considered a non-employer contributing entity. The amount of these contributions received in 2017 was \$20,821. This is not considered a special funding situation.

Plan Description. The Kittitas County Disability Board is governed by RCW 41.26.110. Each county shall establish a disability board composed of five members to be chosen as follows: one member to be a representative of the City of Ellensburg determined by council; one to be a representative of Kittitas County and is also a county commissioner; one to be active or retired firefighter employed by or retired from an employer within the county to be elected by the firefighters employed or retired from an employer within the county who are not employed by or retired from a city in which a disability board is established and who are subject to jurisdiction of that board; one to be active or retired law enforcement officer employed by or retired from an employer within the county to be elected by the law enforcement officers employed in or retired from an employer within the county who are not employed by or retired from a city in which a disability board is established and who are subject to the jurisdiction of that board; one member from the public at large who resides within the county but does not reside within a city which a city disability board is established, to be appointed by the other four members designated in this subsection. All members appointed or elected pursuant to this subsection shall serve for two-year terms.

Investment Policy. The City's investments will be in compliance with all statutes governing the investment of public funds. This includes the Revised Code of Washington (RCW), the State's Budgeting, Accounting and Reporting System (BARS) Manual, the City's Investment Policy and corresponding administrative procedures. All investments of the City are made in compliance with Federal and State law and in accordance with applicable legal interpretations. The investment policy and future versions shall be adopted by resolution of the City Council, and when practicable will first be reviewed by the Certification Committee of the Washington Municipal Treasurers' Association (WMTA). The policy will be reviewed annually, and any changes will be approved by a resolution of the City Council, and such record of adoption shall

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

become a part of the document. The City will diversify its investments by security type and institution.

The most recent actuarial study of the system was done by Milliman Consultants and Actuaries to determine the funding requirements as of December 31, 2017. As of this date, the assets valued at market were \$ 0.430 million and the actuarial present value of future benefits was \$ 0.828 million with unfunded actuarial accrued liabilities of \$ 0.398 million. The assets of the fund, along with future revenues from state fire insurance taxes and investment earnings are not sufficient to pay all future pension benefits, resulting in an actuarial deficiency. During the FY 2017 budget hearing, the City Council authorized allocating \$.141 million of 2017 property tax receipts to the Fire Relief and Pension fund. Based on the number of members in the City's plan, the City is only obligated to calculate the liability of pension cost every three years.

Assumptions and Other Inputs

The fact that excess benefits increased less than anticipated over the past two years led to a decrease in liability. Further decreasing liabilities was the change in economic assumptions. The discount rate was lowered from 3.75% to 3.50%. A higher discount rate results in a lower present value of measured liabilities.

Actuarial Cost Method – The City uses the Entry Age Cost Method. This funding method meets the parameters required for GASB disclosure requirements.

The City's Firefighters' Pension Fund is a closed group. No new members are permitted.

Valuation of Assets – All assets are carried on a market value basis.

Investment Earnings – The future investment earnings of the assets of the City's Firefighters' Pension Fund are assumed to accrue at an annual rate of 3.50%.

Postemployment Benefit Increases – Certain benefits increase as the same rate as the salaries for active members of the same rank the retiree had attained at retirement. These salaries were assumed to increase at the rate of 3.25% per annum in the long term.

The following schedules show the City's changes in net pension liability as well as discloses the sensitivity analysis.

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Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan	
		Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2016	\$818,058	\$385,319	\$432,739
Charges for the year:			
Service Cost	-		-
Interest on total pension liability	29,943		29,943
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	-		-
Effect of assumptions changes or inputs	19,430		19,430
Benefit Payments	(39,521)	(39,521)	-
Medical payments from fund		(69,775)	69,775
Employer contributions		141,081	(141,081)
Contributions from state fire insurance premium tax		20,821	(20,821)
Net investment income		3,510	(3,510)
Administrative expenses		(11,725)	11,725
Balances as of December 31, 2017	827,910	429,710	398,200

Sensitivity Analysis

The following presents the net pension liability of the City, calculated using a discount rate of 3.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage higher (4.50%) than the current rate.

	1%	Current	1% Increase
	Decrease 2.50%	Discount Rate 3.50%	
Total pension liability	\$913,292	\$827,910	\$754,268
Fiduciary net position	429,710	429,710	429,710
Net pension liability	\$483,582	\$398,200	\$ 324,558

The schedule of funding progress for the postemployment defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. The City does not have active employees in this group therefore there is no covered payroll. The Actuarial value of the plan is decreasing.

The City of Ellensburg does not prepare a separate financial report for the single employer defined benefit plan. Therefore, a schedule of employer contributions is provided as RSI on page 92.

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For the Year Ended December 31, 2017

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

Firefighters' Pension Fund	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments	\$20,272	
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
TOTAL	\$20,272	

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	FPF
2018	\$6,729
2019	\$6,729
2020	\$4,475
2021	\$2,339
2022	\$0
Thereafter	\$0

7. RISK MANAGEMENT

A. Pool Insurance

The City of Ellensburg 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 161 members.

New members initially contract for a three-year term, and thereafter automatically renew on 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

City of Ellensburg, Washington
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general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery 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 \$300 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, and 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.

The City's settlements did not exceed the insurance coverage in the past four years.

B. Partial Self Insurance

As of December 31, 2017, the City is partially self-insured for its employee health and benefits program. The health insurance activities are funded and accounted for separately in the fund financial statements based upon the activities of the fund in an Internal Service Fund. The City purchased individual and aggregate stop loss insurance to limit its risk exposure. The City will pay up to \$ 75,000 in claims for an individual employee with an aggregating specific deductible of \$30,000 and up to 1.826 million or 100% of the first monthly aggregate deductible times 12 for the entire group. Once the maximum amount is exceeded then the insurance companies takes over. To cover the 2 million, the City has 1.945 million in operating revenues in 2017. In 2017 the City had 0 in stop loss recoveries. The City has not exceeded the insurance coverage in the first 5 years of the program.

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	2017	2016	2015	2014
Year to Date medical claims	\$ 884,979	\$1,184,859	\$ 942,510	\$1,866,557
Year to Date Pharmacy Claims	317,356	226,856	215,232	202,824
Run-out Claims*	-	-	-	-
Less Eligible Individual Stop Loss Recoveries	-	-	-	494,012
Less Prior Contract Year Service Date Claims	72,486	165,537	36,578	275,298
Less Vision Claims	24,670	25,278	3,856	26,194
Less Voids	-	236		
less Refunded Claims	7,301	5,077	18,207	3,347
Total Aggregate Stop Loss Claims	\$1,097,878	\$1,215,587	\$1,099,101	\$1,270,530

*Run-out Claim numbers were adjusted to reflect refunds given after the close of the year recovered in the following year.

8. LONG-TERM DEBT

A. Long-Term Debt

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received are reported as debt service expenditures.

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the city:

1.5% - Without a vote of the people

2.5% - With a vote of the people

5.0% - With a vote of the people provided the indebtedness in excess of 2.5% is for utilities, parks, or open space development.

As of December 31, 2017, the debt limits of the City were as follows:

Assessed Value	\$1,481,783,012		
		Without a Vote	With a Vote
		2.50%	5.00%
Legal Limit	\$ 22,226,745	\$ 37,044,575	\$ 74,089,151
Applicable Outstanding Debt	\$2,171,200	\$2,971,200	2,971,200
Available Assets	40,342	126,161	126,161
Margin Available	\$ 20,095,887	\$ 34,199,536	\$ 71,244,112

General Obligation Bonds

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The City of Ellensburg issues general obligation and revenue bonds to finance the purchase of general government assets and the acquisition or construction of utility infrastructure. General obligation and revenue bonds have been issued for both general government and business type activities and are being repaid from the applicable resources. Proprietary fund revenues are repaying the revenue bonds.

The general obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally 20-year serial bonds with equal amounts of payment each year. General obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate(s)	Original Amount	Amount of Installment	Outstanding Amount
2014 GO Bond - Library	2022	4.10%	1,310,000	140,000	800,000
2010 GO Bond - Maintenance	2030	3.00%	2,935,000	120,000	2,050,000
2017 Facilities Capital Bond	2037	3.31%	121,200	-	121,200
Total			\$ 4,366,200	\$ 260,000	\$ 2,971,200

Listed in the City of Ellensburg 2016 General Obligation Bonds was 2016 LTGO Bond – Taxable Telecom. For 2017, they have been reclassified to General Obligation Debt Issued for Business-Type Activities.

The 2014 Unlimited Tax General Obligation Refunding Bonds were sold to provide funds with which to pay costs associated with remodeling, expanding, and equipping the Ellensburg Public Library and Hal Holmes Community Center in the City and making related capital improvements, and to levy those excess property taxes.

The 2010 Limited Tax General Obligation Bonds were sold to provide funds necessary to pay and reimburse a portion of the costs necessary for several capital projects, including: roof replacement of various municipal buildings; renovations at the City’s pool facility and various other recreational properties and facilities; upgrade of an audio system for the Council chamber; various transportation related improvements, including traffic signal and road projects, and parking improvements; and a flood plain improvement project.

The 2017 Facilities Capital Bonds were sold to provide funds with which to pay costs associated with remodeling, expanding, and equipping the Ellensburg Police Department and other related capital improvements. This bond was issued December 28, 2017, is not to exceed \$7,200,000, and has a draw period that ends November 30, 2019. At the end of the draw period, the outstanding balance will be amortized over 18 years. During the draw period, the bond shall bear interest on the outstanding principal at the draw period variable rate. The rate will be reset on March 1, June 1, September 1 and December 1. During the draw period, the bond shall be repayable on an interest only basis, due semiannually.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

The annual requirements to maturity, including interest for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2018	260,000	116,100
2019	275,000	107,100
2020	411,200	97,600
2021	310,000	87,600
2022	320,000	77,600
2023-2027	810,000	267,625
2028-2032	585,000	59,500
Total	\$ 2,971,200	\$ 813,125

Revenue Bonds

Revenue bonds are bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council, and financed from Enterprise Fund revenues.

2010 Water/Sewer Ref (99) Bonds for the purpose of paying the cost of carrying out of the system or plan of addition to and betterments and extension of the waterworks utility. The bonds will mature in 2019 with a debt payment in 2018 of \$250,000 and operating revenue of \$8,617,752 in 2017.

2010 Water/Sewer Revenue Bonds for the purpose of paying the cost of carrying out of the system or plan of addition to and betterments and extension of the waterworks utility. These include drilling of deep wells, extend water and sewer mains and replace the bio-solid thickening equipment. The bonds will mature in 2029 with a debt payment in 2018 of \$220,000 and operating revenue of \$8,617,752 in 2017.

2013 Water Revenue Bonds for the purpose of paying the cost of carrying out of the system or plan of addition to and betterments and extension of the waterworks utility. Construction of two well houses and the installation of pumps, motors, and electronic control systems and if funds are available the City shall make other improvements to the Waterworks Utility. The bonds will mature in 2022 with a debt payment in 2018 of \$211,552 and operating revenue of \$4,613,695 in 2017.

2014 Electric Refunding/Revenue Bonds for the purpose of providing funds to refund outstanding electric revenue bonds of the City and to finance the cost of a new substation of the City's Electric Utility. The bonds will mature in 2032 with a debt payment in 2018 of \$325,000 and operating revenue of \$16,727,023 in 2017.

2016 Water/Sewer Refunding (2010) Bonds for the purpose of providing funds to refund outstanding water/sewer revenue bonds of the City. The bonds will mature in 2029 with a debt payment in 2018 of \$90,000 and operating revenue of \$8,617,752 in 2017.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

2016 Gas Bonds for the purpose of providing funds to pay or reimburse the costs of certain capital improvements to and extensions of the Natural Gas Utility. The bonds will mature in 2036 with a debt payment in 2018 of \$36,220 and operating revenue of \$6,981,934 in 2017.

The 2016 Limited Tax General Obligation Bonds were sold to provide funds necessary to repay an interfund loan and provide funds for long term financing of the City's telecommunications infrastructure. This is a General Obligation Debt Issued for Business-Type activities. The bonds will mature in 2036 with a debt payment in 2018 of \$11,324 and operating revenue of \$249,893 in 2017.

The Revenue bonds currently outstanding are as follows:

Revenue Bonds					
Purpose	Maturity Range	Interest Rates	Original Amount	Amount of Installment	Outstanding Amount
2010 Water/Sewer (ref 99) Bonds	12/1/2019	4.00%	2,290,000	250,000	510,000
2010 Water/Sewer Revenue Bonds	12/1/2019	4.00%	7,420,000	220,000	450,000
2013 Water Bonds	12/1/2022	2.82%	2,100,000	211,552	1,119,570
2014 Electric (refunding)	12/1/2025	2.00%	3,650,000	315,000	2,750,000
2014 Electric	12/1/2034	2.00%	4,540,000	10,000	4,505,000
Gas 2016	12/1/2036	1.950%	859,015	36,220	824,136
Water and Sewer Refunding 2016	12/1/2029	2.310%	6,990,000	90,000	6,890,000
Total			\$ 27,849,015	\$ 1,132,772	\$ 17,048,706
General Obligation Debt Issued for Business-Type Activities					
Purpose	Maturity Range	Interest Rates	Original Amount	Amount of Installment	Outstanding Amount
LTGO 2016 Telecommunications	12/1/2036	2.8	290,243	11,324	279,542
Total			\$ 290,243	\$ 11,324	\$ 279,542

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

The Revenue bond debt service requirements to maturity are as follows:

Year Ending	Business-type Activities	
	Principal	Interest
December 31		
2018	1,132,772	547,320
2019	1,169,490	499,623
2020	1,201,392	450,192
2021	1,238,483	419,040
2022	1,270,770	386,932
2023-2027	5,582,526	1,479,072
2028-2032	4,128,671	666,703
2033-2037	1,324,602	85,357
Total	\$ 17,048,706	\$ 4,534,239

The GO debt issued for Business-type activities debt service requirements to maturity are as follows:

Year Ending	GO Debt Issued for Business-type Activities	
	Principal	Interest
December 31		
2018	11,324	7,748
2019	11,643	7,429
2020	11,971	7,101
2021	12,309	6,763
2022	12,656	6,416
2023-2027	68,837	26,523
2028-2032	79,105	16,256
2033-2037	71,698	4,590
Total	\$ 279,542	\$ 82,827

Local Improvement Funds

Local Improvement Bonds are used for debt payments of the outstanding debt on local improvement districts.

	Beginning			Ending
Special	Balance	Amount	Amount	Balance
Assessments	1/1/2017	Issued	Redeemed	12/31/2017
LID Notes & Bonds	\$ 288,020	\$ -	\$ 176,365	\$ 111,655
Total	\$ 288,020	\$ -	\$ 176,365	\$ 111,655

In the government-wide financial statements and proprietary fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities and proprietary financial statements as net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. In the

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

fund financial statements, governmental fund types recognize bond premiums and discounts as bond issuance costs during the current period. Issuance costs whether or not withheld from the actual debt proceeds received are reported as debt service expenditure items.

At December 31, 2017, the City has \$130,558 available in debt service funds to service the general obligation bonded debt. Restricted assets in proprietary funds contain \$3,071,679 in sinking funds and reserves as required by bond indentures to service the revenue bonded debt.

The various bond indentures contain commitments and restrictions regarding tax levies and debt service requirements. The City is in compliance with all such significant commitments and restrictions.

Arbitrage-The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31st, 1986. Rebate arbitrage occurs when earnings on investments purchased from gross proceeds of a bond issue are in excess of the amount that would have been earned if the investment were invested at a yield equal to the yield on the bond issue. The rebate arbitrage must be paid to the federal government. The City of Ellensburg carefully monitors its investments to restrict earnings to a yield less than the bond issue and therefore limit any arbitrage liability. As of December 31, 2017, the City has no arbitrage rebate liability.

B. Changes in Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term Liabilities reported as General Long-Term Debt.

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Governmental Activities:					
Bonds payable					
General Obligation Debt	\$ 3,395,243	\$ 121,200.00	\$ 545,243	\$ 2,971,200	\$ 260,000
Less/add Deferred amounts for issuance discount and Premiums	125,848	-	14,452	111,396	
Total Bonds Payable	3,521,091	121,200	559,695	3,082,596	260,000
Compensated Absences	766,294	159,263		925,557	569,628
OPEB Liability	3,401,339	443,490	-	3,844,829	
Net Pension Liability	4,283,683		140,297	4,143,386	
Total Governmental LT Liabilities	11,972,407	723,953	699,992	11,996,368	829,628
Business-Type Activities					
Revenue Bonds	18,159,295	279,542	1,110,589	17,328,248	1,110,589
Less/add Deferred amounts for issuance discount and Premiums	606,858		81,266	525,592	
Total Bond Payable	18,766,153	279,542	1,191,855	17,853,840	1,144,096
Compensated Absences *	651,093	67,243	286,172	432,163	
Net Pension Liability	4,435,355		1,560,837	2,874,517	
Total Business-Type LT Liabilities	23,852,601	346,785	3,038,864	21,160,521	1,144,096
Total	\$ 35,825,008	\$ 1,070,738	\$ 3,738,856	\$ 33,156,888	\$ 1,973,724

*Starting in 2017, Current portion of accrued compensated balances is included in wages payable based on GASB 16 it is probable employees will be compensated for the current portion of the compensated absences in the current period. For 2016, the total compensated absences of \$651,093 was reported, with the current portion \$277,651. For 2017, the total compensated absences is \$718,335 with the current portion \$286,172.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Internal service funds predominately serve the enterprise funds, accordingly, long-term liabilities for them are included as part of the above Business-Type Activities i.e., compensated absences total in the amount of \$134,017. Also, for the governmental activities, claims, judgments, and compensated absences are generally liquidated by the fund it is associated with. The net pension obligation OPEB liabilities are generally liquidated by the General Fund.

9. CONTINGENCIES AND LITIGATION

The City has recorded in its financial statements all material liabilities, including an estimate for situations, which are not yet resolved, but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and self-insurance reserves are adequate to pay all known or pending claims.

The City participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

10. LEASES

A. Operating Leases

The City leases equipment under non-cancelable operating leases. Total cost for such leases was \$38,514 for the year ended December 31, 2017. The future minimum lease payments for these leases are as follows; all leases are completed by 2021 as of December 31st, 2017.

Year Ending December 31	
2017	38,514
2018	36,972
2019	10,845
2020	7,660
2021	2,389
Total	<u>96,379</u>

11. INTERGOVERNMENTAL GRANTS AND ENTITLEMENTS

The accompanying Schedule of Financial Assistance provides a listing of all federal, state, and local assistance programs in which the City participates and summarizes the City's grant transactions for 2017.

12. INTERFUND BALANCES AND TRANSFER

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Classification of Interfund Transactions

Interfund transactions are classified as follows:

- A. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City.
- B. Transfers to support the operations of other funds are recorded as "Transfers" and classified with "Other Financing Sources or Uses."
- C. Contributions to the capital of enterprise or internal service funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified as transfers and reported as direct additions to or deductions from fund equity.
- D. Loans between funds are classified as interfund loans receivable and payable or as
 - a. advances to and from other funds on the combined balance sheet depending on the time
 - b. period for which the loan was made. Interfund loans do not affect total fund equity, but
 - c. advances to other funds are offset by a reservation of fund equity

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move receipts for debt service from the fund collecting the receipts to a debt service fund as debt service payments become due; and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following table displays interfund transfer activity as of December 31, 2017:

		Transfer From					
		General Fund	Non Major Gov	Stormwater	Water	Sewer	Total
Transfer To	General Fund	\$	7,403				7,403
	Arterial and Street	1,753,257	558,712				2,311,969
	Non Major Gov	857,500	19,540				877,040
	Transfer to Internal Service	15,000		59,636		59,562	134,198
	Water Construction				202,082		202,082
	Total	2,625,757	585,655	59,636	202,082	59,562	3,532,692

One significant transfer that occurred in 2017 was to record the transfer from the Stormwater and the Sewer Fund to the Shop-Internal Service Fund for construction — approved by City of Ellensburg Council Agenda January 3, 2017. Award Bid Call 2016-31 WWTF Decant Building Breezeway Enclosure.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Outstanding balances between funds at year end are reported as “due to/from other funds.” These balances represent a payable for goods issued, work performed, or services rendered from or by another fund of the same government. The recipient fund has an equal amount recorded. All interfund “due to/from other funds” are expected to be paid within thirty days from the date of the financial statements. The following table displays interfund balance activity as of December 31, 2017:

	000	120	137	431	451	461	471	481	491	531/550	Total
Due To	Due From	Due From	Due From	Due From	Due From	Due From	Due From	Due From	Due From	Due From	Total
	General Fund	Arterial/ Street	Special Revenue	Stormwater	Telecom	Gas Fund	Light Fund	Water Fund	Sewer Fund	Internal Service	
General Fund			2,466							691	3,156
Street & Arterial Street	1,433		62,650				20,849		1,650		86,582
Storm Water	300	15				11	55	19	69	195	664
Gas	8,075				2,459		169		890	2,830	14,423
Light	15,258	3,102		112	2,210	316	1,586	6,831	20,778	4,108	54,300
Water Department	8,095	428	21				54	107	3,726	358	12,789
Sewer Department	782	734								95	1,611
Shop Department	145	131					1,088		6		1,370
IT Department					4,937						4,937
Total	\$ 34,087	\$ 4,410	\$ 65,137	\$ 112	\$ 9,605	\$ 327	\$ 23,801	\$ 6,958	\$ 27,119	\$ 8,277	\$ 179,832

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to either as interfund loans receivables/payables or advances to/from other funds. The following table displays interfund loan activity as of December 31, 2017:

Interfund Loan Receivable	Beginning Balance 1/1/2017	Addition	Installment	Balance 12/31/17
Major funds:				
Light	\$ 1,559,657		\$ 290,000	\$ 1,269,657
Stormwater	-	941,823	-	941,823
Total	\$ 1,559,657	\$ 941,823	\$ 290,000	\$ 1,269,657

13. FUND EQUITIES

The government-wide and proprietary fund financial statements utilize a net position presentation. Net positions are categorized as invested in capital assets (net of related debt), restricted, and unrestricted. Invested in capital assets (net of related debt) groups all capital assets and including infrastructure into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of the assets reduce the balance in this category.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

14. FUND BALANCES

Balance Sheet	Fund Balance			
	Major			Total
	General Fund *	Arterial Street **	Other Funds	
Fund Balances				
Nonspendable		-		-
Inventory		\$39,228		\$ 39,228
Permanet Fund Principal				-
Total Nonspendable		\$39,228		39,228
Restricted for:				-
Transportation		-	1,873,178	1,873,178
Public Safety			933,962	933,962
Parks and Recreation			1,487,962	1,487,962
Economic Environment			575,226	575,226
Debt Service			78,563	78,563
Capital			673,248	673,248
Total Restricted		-	5,622,139	5,622,139
Committed to:				-
Economic Environment			173,473	173,473
Total Committed			173,473	173,473
Assigned to:				-
Transportation		2,141,719	281,951	2,423,670
Public Safety	57,104		16,274	73,378
Economic Environment			18,951	18,951
Parks and Recreation			52,231	52,231
Debt Service			22,594	22,594
Capital Projects			469,799	469,799
Total Assigned	57,104	2,141,719	861,801	3,060,623
Unassigned	4,528,230	-	-	4,528,230
Total Fund Balance	\$ 4,585,335	\$ 2,180,947	\$ 6,657,412	\$ 13,423,694

*General Fund includes the City 001, 140, and 159 funds

** Arterial Street includes the City 123 and 120 funds

15. JOINT OPERATION

The City of Ellensburg and Kittitas County entered into a cooperative service enterprise to purchase and operate the facility previously known as the City/County Community Center (currently known as the Adult Activity Center), effective July 19, 1977. The \$62,500 in initial costs of the facility

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

were split \$46,875 to the City and \$15,625 to the County. The City is responsible for operating and maintaining the facility.

The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2017 operations are as follows:

	Budget	Actual
Kittitas County	\$ 49,000	\$ 51,255
City of Ellensburg	93,736	92,815
Tour Fees	8,000	3,675
Other Revenues	30,934	34,154
Total Support	\$ 181,670	\$ 181,899

A copy of the agreement can be obtained from the City of Ellensburg Finance Department.

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note 6, the City of Ellensburg provides postemployment health care benefits, in accordance with Washington State law to 23 police and firefighters who retired or disabled under the LEOFF I Pension Act or the City's Fire Relief and Pension Plan. A single employer defined benefit plan.

A. Plan Description

The plan is directed and defined by the State of Washington Revised Code (RCW 41.26.150). Employers such as municipalities, counties, and fire districts are required to pay the costs for necessary medical services for any active or retired members of the Law Enforcement Officers' and Fire Fighters Retirement System Plan One (LEOFF I). Under subsection 4, the employer may provide for medical insurance through insurance carriers. The plan covers retirees who are on disability as well as those who are retired after reaching age requirements. To qualify for medical services, the employee needs to only be active or disability retired, or the employee's service retirement date is that day following separation from LEOFF employment with the City. To make this plainer, if the employee leaves the City and takes a job with another member of the Washington State Retirement System, regardless of the plan, then the member would then be liable for the employee's medical services. Employees may retire after 5 years of service after reaching age 50. Employees with 20 years of service who leave employment before retirement age are eligible for medical benefits upon reaching age 50. Insurance for retired individuals is provided through the employer's group plan, which covers both active and qualified retired members. The health insurance coverage and medical costs for retired firefighters are paid for out of the Fire Relief and Pension Fund and general government. For law enforcement officers, costs are paid out of the police department budget. The medical services cover active and retired members only. Spouses are not eligible.

B. Funding Status and Funding Policy

The plan has 23 retired members and zero active. Health insurance premiums are paid monthly. Other medical services are paid monthly as billings are presented for reimbursement. The pension board performs an annual survey to determine the care to be covered. The City of

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Ellensburg reimburses 100 percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees.

Employer contributions are financed on a pay-as-you-go basis. Expenditures for postemployment health care benefits are recognized as retiree's report claims. During the year 2017, expenditures of \$246,462 were recognized for postemployment health care.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The City used the tool for this calculation set up by the State Actuary office.

A single retirement age of 55.3 years was assumed for all active members for the purpose of determining the actuarial accrued liability and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2014 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with 4 active and 4 inactive grouping. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purpose of this valuation.

The following tables shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the Retiree Health Plan. Based on the number of members in the City's plan, the City is only obligated to calculate the liability of OPEB every three years; however, the City has chosen to update the information as it becomes available.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2017

Fiscal Year 2017	Fire	Pre leoff Fire	Police	Total
Medical Expenses	\$ 2,356,880	\$ 1,015,246	\$ 2,219,474	\$ 5,591,600
Longterm Care	1,453,407	948,085	1,566,693	3,968,185
Total Inactive	<u>3,810,287</u>	<u>1,963,331</u>	<u>3,786,167</u>	<u>9,559,785</u>
Arc				
Normal Cost	-	-	-	-
UAAI Amortization	342,701	176,584	340,532	859,817
ARC	<u>342,701</u>	<u>176,584</u>	<u>340,532</u>	<u>859,817</u>
Annual OPEB Cost				
ARC	342,701	176,584	340,532	859,817
NOO Interest	48,144	31,178	56,731	136,053
NOO Amortization	(108,254)	(70,106)	(127,561)	(305,921)
Annual OPEB Cost	<u>282,591</u>	<u>137,656</u>	<u>269,702</u>	<u>689,949</u>
NOO				
Starting NOO	1,203,608	779,462	1,418,269	3,401,339
Annual OPEB Cost	282,592	137,657	269,702	689,951
Contributions	(82,660)	(69,774)	(94,027)	(246,461)
NOO*	<u>\$ 1,403,540</u>	<u>\$ 847,345</u>	<u>\$ 1,593,944</u>	<u>\$ 3,844,830</u>

*Estimated (please see comment in Key Results above)

Funding Status and Funding Progress- As of December 2017, the actuarial accrued liability for benefits was \$9,559,785.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

There are no active employees. The historical age of retirement for regular retirees is 55 years of age. The city average is 50 years of age. Employees who retired on disability were excluded from this calculation.

Life expectancies are based on mortality tables at the office of the State Actuary for Washington (osa.leg.wa.gov). Life expectancies that included partial years were rounded to the nearest whole year.

City of Ellensburg, Washington
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The calculation of postemployment health insurance coverage for each year in the worksheet is based on the assumption that all participants will live until their expected age displayed in the mortality tables.

The expected rate of increase in healthcare insurance premiums is based on projection of the office of the Actuary at the Centers for Medicare and Medicaid Services, as published in National Health Care Expenditures Projection Tables, Table 3: National Health Expenditures, Aggregate & Per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 2003-2018, published March 2008 by the Health Care Financing Administration (www.cms.hhs.gov).

The assumed long term earning rate on current and expected investments that are expected to be used in financing the payment of benefits is 3%.

Inflation rate- The expected long-term inflation assumption for 2017 of 0.91 percent was based on projected changes in the Consumer Price Index for Urban Wage earners and Clerical Workers (SPI-W) from the office of the State Actuary for Washington (osa.leg.wa.gov).

Payroll growth-rate- The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 2.1 percent was used. In addition, the actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The funded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2017 was twenty-four years.

17. RELATED PARTY TRANSACTIONS

The City has related party transactions with Ellensburg Business Development Authority (EBDA), a Washington State non-profit corporation. The Ellensburg City Council by Ordinance 3895, adopted November 15, 1995, created EBDA and approved a Charter for the Authority's operation. The charter (organized pursuant to RCW 35.21.730-.755) provides for undertaking, assist, facilitate, promote or providing for business development. EBDA is a stand-alone entity with its own board and authority to control their own assets and liabilities. The City provides funding to EBDA for economic development services provided.

18. CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2017.

The projects commitments include:

Arterial Street

University Way and Wildcat Way Intersection	\$ 8,065
John Wayne Trail Reconnect	\$11,872
Public Works and Utilities	
Bull Road Utility Extension	\$62,797

City of Ellensburg, Washington
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For the Year Ended December 31, 2017

Illinois Well Development	\$10,200
Warehouse Electrical Upgrades	\$71,629

19. PRIOR PERIOD ADJUSTMENTS

In 2017, the City reconciled modules to the general ledger back to the inception of when the current software was installed (2003). In prior statements the City's actual cash had a variance from the general ledger cash of an amount less than 1%, and it was decided to remedy the discrepancy in 2017. Although the amounts are immaterial, it is the City's approach to be transparent and accountable.

	Purpose for Adjustment	Increase/(Decrease) due to Adjustment		
		Assets	Liabilities	Net Position
Governmental Funds				
General Fund	1	10,582		10,582
Arterial Street Fund	2	71,873		71,873
Total Governmental Funds		\$ 82,456		\$ 82,455
Enterprise Funds				
Gas Fund	3	4,346		4,346
Electric Fund	4	26,507		26,507
Water Fund	5	115,070		115,070
Sewer Fund	6	7,113		7,113
Telecommunications Fund	7		290,243	(290,243)
Internal Service Fund - IT	8	1,554		1,554
Total Enterprise Funds		\$ 154,591	\$ 290,243	\$ (135,652)
Government-wide Financial Statements				
Governmental Activities	9		(290,243)	290,243
Total Governmental Activities			\$ (290,243)	\$ 290,243

Purpose for prior period adjustments (cumulative from 2003 to 2016)

1. Prior years expenses and revenues that had been voided in the modules had not been removed from the general ledger. This is an accumulation of small entries that had not been reconciled to the general ledger since 2003.
2. \$61,504.30 (2016) was a retainage from Advantage Dirt Contractors, \$22.00 was an internal equipment rental entry that had not been removed from the general ledger, the remaining amount is an accumulation of revenues and expenses that had been voided in the module and had not been removed from the general ledger.
3. Prior years expenses and revenues that had been voided in the modules had not been removed from the general ledger. This is an accumulation of small entries that had not been reconciled to the general ledger since 2003.
4. \$9,423.55 is an incorrect internal equipment charge, and the remain is an accumulation of revenues and expenses that had been voided in the module and had not been removed from the general ledger.
5. \$105,979.29 was a retainage from Advantage Dirt Contractors that was voided in the module, but had not been removed from the general ledger, the remaining amount is an accumulation of

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revenues and expenses that had been voided in the module and had not been removed from the general ledger.

6. Prior years expenses and revenues that had been voided in the modules had not been removed from the general ledger. This is an accumulation of small entries that had not been reconciled to the general ledger since 2003.
7. 2016 reconciliation of the Statement of Revenues and expenditures included the LTGO Bond (2016 Taxable Telecom) and the correct placement for this liability is to include the General Obligation Debt issued for Business-type activities in the liabilities section of the Telecommunications Fund.
8. \$1,554 was a retainage from Cogsdale, a software provider, this 2004 amount never was a payable, it was removed from the module and general ledger.
9. See #7

20. SUBSEQUENT EVENTS

Organizational Change

In May of 2018 the City Council approved a restructuring of selected departments that resulted in an organizational change. The purpose of the change was to mitigate the span of control for the City Manager.

Public Works and Energy Services have essentially combined, with the current Public Works director becoming the Public Works and Utilities Director, overseeing both departments. The city attorney now has the administrative tasks of Assistant City Manager/City Attorney which includes managing the Police Department, Community Development, and IT & Telecommunications (formerly a section of Energy Services). This reduced the City Manager's direct reports from 11 to 8.

Mayor

Mayor/Councilmember Rich Elliot chose not to run again after his term expired at the end of 2017 and resigned just before his term was up. Councilmember Jill Scheffer was the mayor pro tem until Bruce Tabb was elected Mayor in January 2018.

Police Chief

Ellensburg Police Department's Chief Dale Miller retired in January 2018 and Kenneth Wade was promoted from Captain shortly thereafter.

Sales Tax Increase

A .01 percent sales tax increase was included in the November 2017 ballot after a resolution passed by the City Council in July 2017 for funding affordable housing and mental health services. The ballot passed and on April 1, 2018, the City's sales tax increased from 8.2 percent to 8.3 percent.