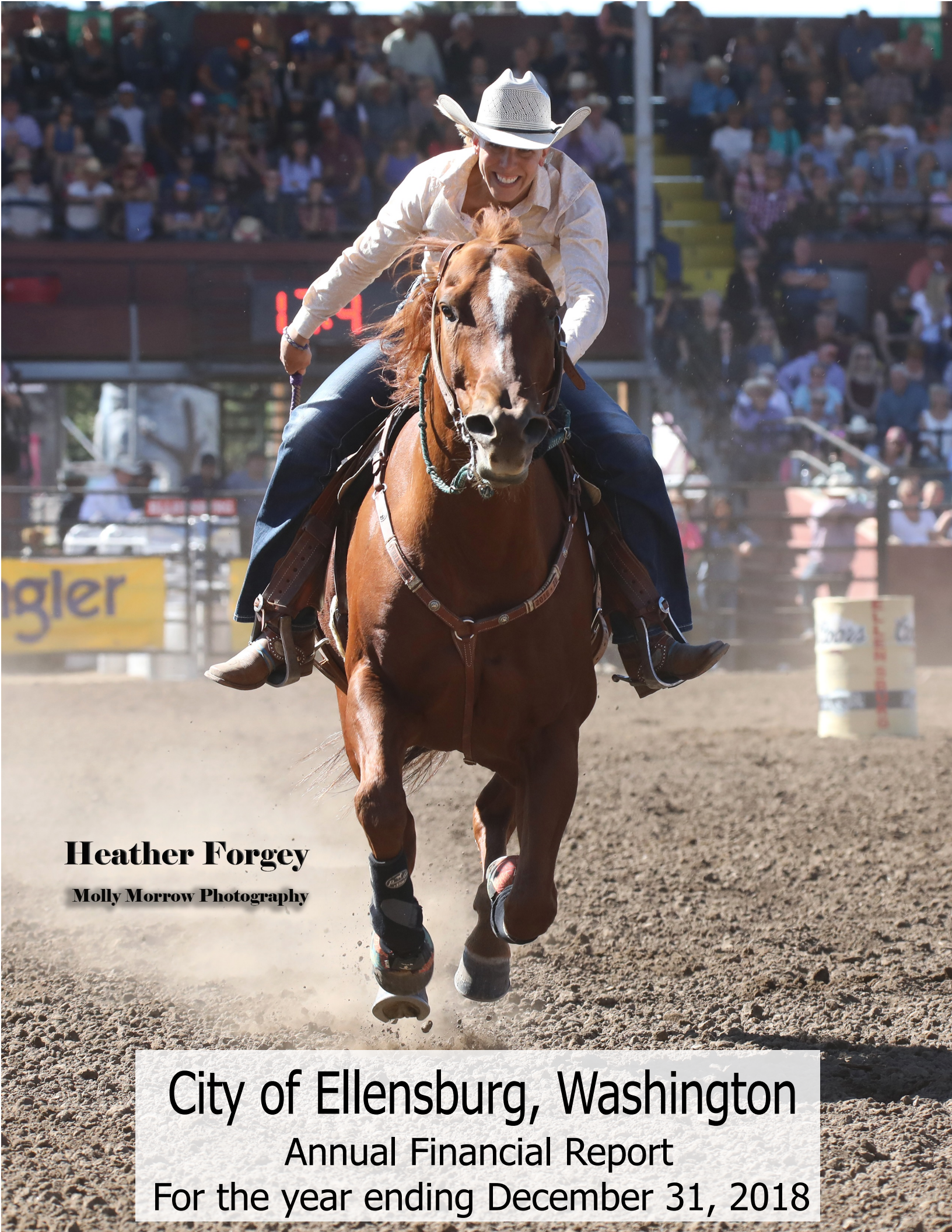


City of Ellensburg, Washington

Annual Financial Report

For the year ending December 31, 2018

City of Ellensburg, Washington
Annual Financial Report
For the Year Ended December 31, 2018

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. 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 collections and treatment.

In 2018, the City changed the accounting reporting type to the Cash Basis Budgeting, Accounting and Reporting System (BARS) prescribed by the Washington State Auditor's Office under the authority of Washington State law Chapter 43.09 RCW. The reporting change simplified the annual reporting process and the annual financial report, making it more easily understood by the users. Additionally, the staff time to prepare the report was considerably less, allowing staff to fully analyze the data and proceed with Financial Policies and trainings. Overall audit costs are expected to decrease.

Basis of accounting refers to when revenues and expenditures are recognized and reported in financial statements. Governmental fund financial statements were previously reported using Generally Accepted Accounting Principles (GAAP), a modified accrual basis of accounting. Revenues were recognized as soon as they were both measurable and available. Revenues were considered available when they were collectible within the current period or soon enough thereafter to pay liabilities of a current period. Therefore, a majority of revenue received in January was pushed back into December of the previous year. Generally, expenditures were recorded when a liability was incurred, as under accrual accounting. In the 4th quarter of 2018, the City chose to change from Generally Accepted Accounting Principles (GAAP) basis to cash basis. Revenues are now recognized only when cash is received, and expenditures are recognized when chargeable against the report year's budget appropriates as required by state law. This generally results in revenues being recognized when delivered to the City Treasurer and expenditures being recognized when paid. Checks are considered *paid* when issued. An exception to expenditure recognition would be during any open period after the close of the fiscal year when expenditures can be charged against the previous period for claims incurred in the previous period. Open periods are required by statute for cities (RCW 35.33.151 and RCW 35A.33.150). The accounts for budgetary control for each fiscal year are kept open for twenty days after the close of such fiscal year for the purpose of paying and recording claims for indebtedness incurred during such fiscal year; any claim presented after the twentieth day following the close of the fiscal year is paid from appropriations lawfully provided for the ensuing period.

In addition to the absence of a balance sheet and statement of cash flows, the most notable difference between financial statements prepared using the accrual method as opposed to using the cash basis is the definition of the fund balances. Accrual based Governmental Funds classifications are non-spendable, restricted, committed, assigned, ,and unassigned. Accrual based Proprietary Net Position classifications are net investment in capital assets, restricted net position, , and unrestricted net position. Cash basis financial reporting uses the terminology Reserved and Unreserved Cash and Investments. Reserved is defined as the amounts of cash and investments with specific purpose or use restrictions imposed by external parties (legislation, grantors, creditors) or from formal internal commitments. Internal commitments are specific constraints imposed by the highest level of authority within the government through the most binding formal action that requires a similar action on the same level to remove them. Unreserved cash and investments do not have any specific constraints imposed on use or are only constrained by the governments non formal or non-specific intent.

The City's combined balance in Reserved and Unreserved Fund Balances increased by 19% in 2018.

	City of Ellensburg	
Reserved Fund Balance	$ 8,696,007	$ 10,777,599
Unreserved Fund Balance	$ 28,517,567	$ 33,858,245

Included in the cash basis financial reports is the Schedule of Liabilities, to account for the City's current and noncurrent liabilities. This schedule excludes payments that are due to vendors, such as accounts payables and payroll accruals. The City is current in its debt obligations.

Also normally included in the balance sheet are the City's capital assets and accumulated depreciation, customarily 50% to 70% of the total assets. The City continues to follow Asset Management System Policies and Procedures approved by City Council and implemented in 2018, which requires the City to define, record, track inventory, and safeguard the capital assets.

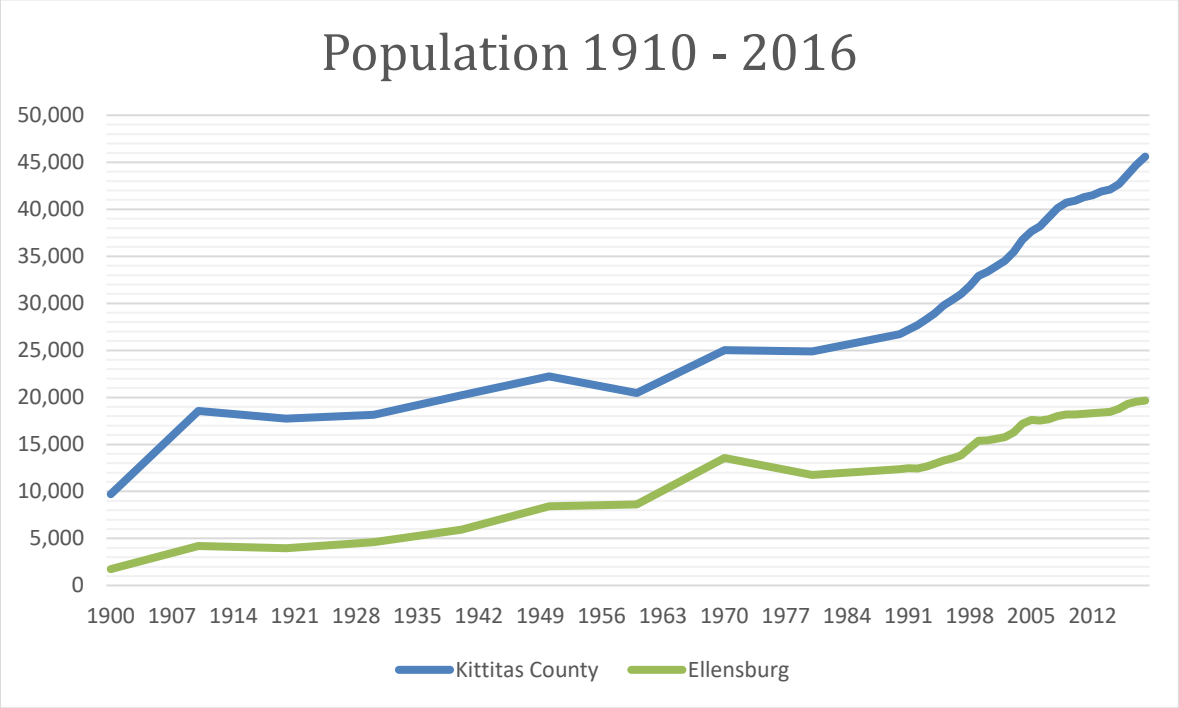
City of Ellensburg 2018 Highlights

Ellensburg continued to grow and thrive in 2018; in addition to the regular operating activities, the City achieved: the formation of the Affordable Housing Commission, the positive effects of the grocery bag fee (request for plastic bags fell 35%), the Transportation Benefit District implemented a cabulance (non-emergency accessible medical transit) service, progress on the plan to improve the Ellensburg Police Department building, advancement on construction of additional City wells, and street intersection upgrades.

The Finance Department continued to revise and improve the financial policies and procedures, in addition to increasing training within City departments.

City of Ellensburg Statistics

City of Ellensburg Community Profile

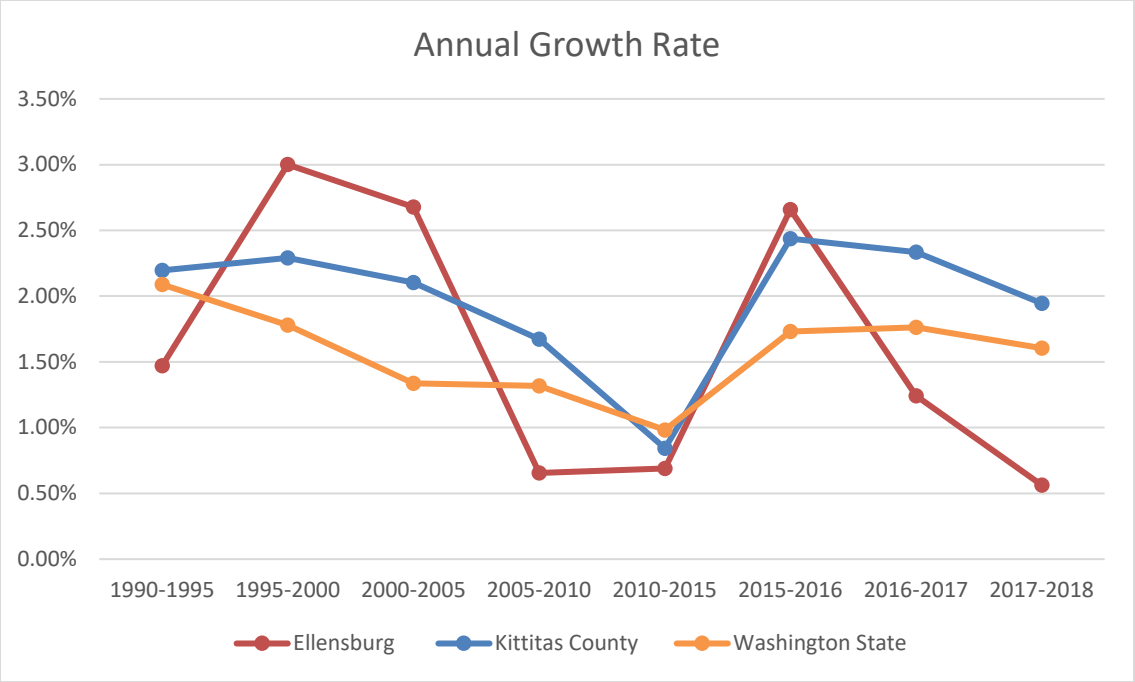


Source: Population 1910 – 2000 OFM historical data set; population 2000 – 2018 OFM April 1, 2018 population estimates

Table 1: Percent Population Change – 1990 to 2016

Area	2000-2005	2005-2010	2010-2015	2015-2016	2016-2017	2017-2018
Ellensburg	14.12%	3.31%	3.50%	2.66%	1.24%	0.56%
Kittitas County	12.88%	8.64%	4.29%	2.44%	2.33%	1.95%
Washington State	6.87%	6.76%	5.01%	1.73%	1.76%	1.60%

Source: 1990 – 2000 OFM historical data set; population 2000 – 2016 OFM April 1, 2016 population estimates



Source: 1990 – 2000 OFM historical data set; population 2000 – 2018 OFM April 1, 2018 population estimate

Table 2: Population Estimates – 2010 to 2016

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ellensburg	18,174	18,250	18,320	18,370	18,440	18,810	19,310	19,550	19,660
Kittitas County	40,915	41,300	41,500	41,900	42,100	42,670	43,710	44,730	45,600

Source: OFM April 1, 2018 population estimate

Age	Percent of population
Persons under 5 years	5.1%
Persons under 18 years	14.4%
Persons 65 years and over	9.9%

Source: American Community 5-year estimates – 2013-2018

According to American Community Survey 5-year estimates, in 2018, Ellensburg had an estimated 11.2% of were of Hispanic ethnicity.

City of Ellensburg Mission Statement

The purpose of the City of Ellensburg is to provide the citizens of Ellensburg with a variety of services in the most efficient and effective manner possible.

City of Ellensburg Statement of Values

The employees of the City of Ellensburg share a dedication and commitment to providing quality customer service with honesty and integrity.

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

If you have questions about this report or need additional financial information, contact:
Finance Department
City of Ellensburg
501 N Anderson Street
Ellensburg, Washington 98926
or visit the City web site at www.ci.ellensburg.wa.us

Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Ellensburg

For the period January 1, 2018 through December 31, 2018

Published September 26, 2019

Report No. 1024708

Office of the Washington State Auditor
Pat McCarthy

September 26, 2019

Mayor and City Council
City of Ellensburg
Ellensburg, Washington

Report on Financial Statements

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

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

Sincerely,



Pat McCarthy

State Auditor

Olympia, WA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Ellensburg
January 1, 2018 through December 31, 2018

Mayor and City Council
City of Ellensburg
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Ellensburg, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 23, 2019. As discussed in Note 13 to the financial statements, the City has elected to change its method of accounting from generally accepted accounting principles to a special purpose framework during the year ended December 31, 2018.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

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



Pat McCarthy

State Auditor

Olympia, WA

September 23, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Ellensburg
January 1, 2018 through December 31, 2018

Mayor and City Council
City of Ellensburg
Ellensburg, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Ellensburg, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Ellensburg has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Ellensburg, and its changes in cash and investments, for the year ended December 31, 2018, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ellensburg, as of December 31, 2018, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 13 to the financial statements, the City elected to change its method of accounting from generally accepted accounting principles to a special purpose framework during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

September 23, 2019

FINANCIAL SECTION

City of Ellensburg
January 1, 2018 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 GENERAL FUND	120 STREET FUND	125 TRAFFIC IMPACT FEES
Beginning Cash and Investments					
30810	Reserved	9,360,885	890,280	-	1,256,895
30880	Unreserved	27,863,380	5,613,179	2,101,337	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	15,295,596	11,533,631	-	-
320	Licenses and Permits	897,165	894,857	2,308	-
330	Intergovernmental Revenues	2,954,490	523,510	1,015,416	-
340	Charges for Goods and Services	45,558,882	4,132,772	381,952	788,951
350	Fines and Penalties	276,240	266,870	-	-
360	Miscellaneous Revenues	1,832,551	367,414	33,909	29,502
Total Revenues:		66,814,924	17,719,055	1,433,584	818,453
Expenditures					
510	General Government	7,419,200	3,396,069	106,676	-
520	Public Safety	5,468,731	4,794,523	-	-
530	Utilities	29,063,534	-	-	-
540	Transportation	6,021,011	944,794	2,745,153	24,144
550	Natural and Economic Environment	2,025,885	1,420,857	-	-
560	Social Services	199,299	199,299	-	-
570	Culture and Recreation	3,539,483	3,427,017	-	-
Total Expenditures:		53,737,143	14,182,560	2,851,828	24,144
Excess (Deficiency) Revenues over Expenditures:		13,077,781	3,536,495	(1,418,244)	794,309
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,743,873	-	1,809,582	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	1,090,020	-	-	-
381, 395, 398	Other Resources	2,001,030	-	-	-
Total Other Increases in Fund Resources:		5,834,923	-	1,809,582	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,413,592	41,551	613,337	-
591-593, 599	Debt Service	2,097,720	35,135	-	-
597	Transfers-Out	2,743,873	2,273,000	-	69,282
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	997,849	-	-	-
581	Other Uses	1,246,823	305,000	-	-
Total Other Decreases in Fund Resources:		11,499,857	2,654,686	613,337	69,282
Increase (Decrease) in Cash and Investments:		**7,412,847**	**881,809**	**(221,999)**	**725,027**
Ending Cash and Investments					
5081000	Reserved	10,777,599	942,358	-	1,981,922
5088000	Unreserved	33,858,245	6,442,420	1,879,338	-
Total Ending Cash and Investments		**44,635,843**	**7,384,778**	**1,879,338**	**1,981,922**

The accompanying notes are an integral part of this statement.

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		127 TRANSPORTATION BENEFIT	130 CRIMINAL JUSTICE FUND	137 DRUG FUND	150 CATV OPERATIONS FUND
Beginning Cash and Investments					
30810	Reserved	787,850	842,080	16,350	121,962
30880	Unreserved	6,106	13,944	1,704	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,123,849	1,121,516	-	84,327
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	383,576	-	-	-
340	Charges for Goods and Services	75,000	-	-	129
350	Fines and Penalties	-	-	9,370	-
360	Miscellaneous Revenues	19,230	18,321	314	1,965
Total Revenues:		1,601,655	1,139,837	9,684	86,422
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	667,302	3,007	-
530	Utilities	-	-	-	-
540	Transportation	1,014,840	-	-	-
550	Natural and Economic Environment	-	55,639	-	79,346
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,014,840	722,941	3,007	79,346
Excess (Deficiency) Revenues over Expenditures:		586,815	416,896	6,677	7,075
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
Increase (Decrease) in Cash and Investments:		**586,815**	**416,896**	**6,677**	**7,075**
Ending Cash and Investments					
5081000	Reserved	1,355,434	1,240,655	22,712	129,038
5088000	Unreserved	25,336	32,265	2,018	-
Total Ending Cash and Investments		**1,380,770**	**1,272,920**	**24,730**	**129,038**

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		160 PARK ACQUISITION FUND	165 LODGING TAX FUND	172 HOUSING FUND	210 DEBT SERVICE FUND
Beginning Cash and Investments					
30810	Reserved	755,617	532,012	-	-
30880	Unreserved	9,323	30,953	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	562,635	353,139	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	47,584	-	-	-
340	Charges for Goods and Services	210,666	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	14,354	10,948	1,743	-
Total Revenues:		272,604	573,583	354,882	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	468,266	1,777	-
560	Social Services	-	-	-	-
570	Culture and Recreation	7,971	-	-	-
Total Expenditures:		7,971	468,266	1,777	-
Excess (Deficiency) Revenues over Expenditures:		264,633	105,317	353,105	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	20,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	20,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	92,146	14,626	-	-
591-593, 599	Debt Service	-	-	-	3,717
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		92,146	14,626	-	3,717
Increase (Decrease) in Cash and Investments:		**172,487**	**90,691**	**353,105**	**16,283**
Ending Cash and Investments					
5081000	Reserved	913,750	611,755	351,361	16,283
5088000	Unreserved	23,677	41,901	1,743	-
Total Ending Cash and Investments		**937,427**	**653,656**	**353,104**	**16,283**

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		225 2010 DEBT SERVICE FUND	230 2003 LIBRARY CONSTR DEBT	240 GO BOND	340 '17 Facility Bond Capital Proj
Beginning Cash and Investments					
30810	Reserved	-	73,838	-	-
30880	Unreserved	40,342	5,374	11,004	78,004
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	176,404	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	3,803
Total Revenues:		-	176,404	-	3,803
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	3,899
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	3,899
Excess (Deficiency) Revenues over Expenditures:		-	176,404	-	(96)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	212,700	-	-	701,591
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	397,975
Total Other Increases in Fund Resources:		212,700	-	-	1,099,566
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	485,525
591-593, 599	Debt Service	212,400	164,300	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		212,400	164,300	-	485,525
Increase (Decrease) in Cash and Investments:		**300**	**12,104**	**-**	**613,945**
Ending Cash and Investments					
5081000	Reserved	-	85,942	-	-
5088000	Unreserved	40,642	5,374	11,004	691,950
Total Ending Cash and Investments		**40,642**	**91,316**	**11,004**	**691,950**

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		365 GENERAL FUND CAP. PROJ. FUND	366 SIDEWALK FUND	431 STORMWATER UTILITY FUND	441 UTILITY DEPOSITS FUND
Beginning Cash and Investments					
30810	Reserved	-	529,077	-	583,247
30880	Unreserved	501,556	52,437	640,903	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	340,095	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	984,404	-
340	Charges for Goods and Services	-	-	971,114	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	8,189	12,106	12,638	6,129
Total Revenues:		8,189	352,202	1,968,155	6,129
Expenditures					
510	General Government	1,914	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	903,034	-
540	Transportation	-	110,191	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	104,495	-	-	-
Total Expenditures:		106,409	110,191	903,034	-
Excess (Deficiency) Revenues over Expenditures:		(98,220)	242,010	1,065,122	6,129
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	1,090,020
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	1,090,020
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	119,535	-
591-593, 599	Debt Service	-	-	5,367	-
597	Transfers-Out	401,591	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	997,849
581	Other Uses	-	-	941,823	-
Total Other Decreases in Fund Resources:		401,591	-	1,066,725	997,849
Increase (Decrease) in Cash and Investments:		**(499,811)**	**242,010**	**(1,603)**	**98,300**
Ending Cash and Investments					
5081000	Reserved	-	758,981	-	681,547
5088000	Unreserved	1,745	64,543	639,300	-
Total Ending Cash and Investments		**1,745**	**823,524**	**639,300**	**681,547**

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		451 TELECOMM. UTILITY FUND	461 NATURAL GAS UTILITY FUND	471 ELECTRIC UTILITY FUND	481 WATER UTILITY FUND
Beginning Cash and Investments					
30810	Reserved	-	521,224	604,525	1,185,429
30880	Unreserved	60,555	1,280,948	3,352,919	3,421,327
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	241,799	6,477,119	17,556,668	4,767,677
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,694	53,334	169,783	534,415
Total Revenues:		243,493	6,530,453	17,726,451	5,302,092
Expenditures					
510	General Government	-	3,061	26,533	30,256
520	Public Safety	-	-	-	-
530	Utilities	125,773	5,809,967	15,366,978	3,418,435
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		125,773	5,813,029	15,393,511	3,448,691
Excess (Deficiency) Revenues over Expenditures:		117,720	717,425	2,332,940	1,853,401
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	305,000	-
Total Other Increases in Fund Resources:		-	-	305,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	56,424	495,985	1,059,738	270,477
591-593, 599	Debt Service	19,072	52,115	601,325	722,144
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		75,496	548,100	1,661,063	992,620
Increase (Decrease) in Cash and Investments:		**42,224**	**169,325**	**976,877**	**860,781**
Ending Cash and Investments					
5081000	Reserved	-	105,151	604,525	691,366
5088000	Unreserved	102,779	1,865,570	4,329,795	4,776,170
Total Ending Cash and Investments		**102,779**	**1,970,720**	**4,934,320**	**5,467,536**

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		491 SEWER UTILITY FUND	531 SHOP FUND	540 HEALTH/BENEFITS FUND	545 RISK MANAGEMENT FUND
Beginning Cash and Investments					
30810	Reserved	660,501	-	-	-
30880	Unreserved	2,698,802	5,270,764	1,275,083	663,353
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	4,161,278	2,030,746	1,942,462	670,013
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	313,379	157,963	30,120	14,420
Total Revenues:		4,474,657	2,188,708	1,972,582	684,433
Expenditures					
510	General Government	7,997	-	2,438,230	454,170
520	Public Safety	-	-	-	-
530	Utilities	3,439,347	-	-	-
540	Transportation	-	1,181,889	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3,447,343	1,181,889	2,438,230	454,170
Excess (Deficiency) Revenues over Expenditures:		1,027,313	1,006,820	(465,648)	230,263
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	992,337	305,718	-
Total Other Increases in Fund Resources:		-	992,337	305,718	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	312,644	763,548	-	-
591-593, 599	Debt Service	282,146	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		594,789	763,548	-	-
Increase (Decrease) in Cash and Investments:		**432,524**	**1,235,609**	**(159,930)**	**230,263**
Ending Cash and Investments					
5081000	Reserved	284,818	-	-	-
5088000	Unreserved	3,507,009	6,506,372	1,115,153	893,616
Total Ending Cash and Investments		**3,791,827**	**6,506,372**	**1,115,153**	**893,616**

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		550 IT FUND
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	733,463
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	1,150,537
350	Fines and Penalties	-
360	Miscellaneous Revenues	16,875
Total Revenues:		1,167,412
Expenditures		
510	General Government	954,294
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		954,294
Excess (Deficiency) Revenues over Expenditures:		213,118
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	88,057
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		88,057
Increase (Decrease) in Cash and Investments:		**125,061**
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	858,525
Total Ending Cash and Investments		**858,525**

City of Ellensburg
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Agency
308	Beginning Cash and Investments	2,612
388 & 588	Prior Period Adjustment, Net	-
310-390	Additions	94,728
510-590	Deductions	94,818
	Net Increase (Decrease) in Cash and Investments:	(90)
508	Ending Cash and Investments	2,522

The accompanying notes are an integral part of this statement.

City of Ellensburg, Washington
Notes to the Financial Statements
For the year ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

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. The City is a general-purpose local government and provides public safety, animal control, street improvement, transit services, parks and recreation, library services, planning and zoning, and general administration.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to

expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 2, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures or supplies as appropriate when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 30 days, is payable upon resignation, retirement, or death. Paid time off (PTO) has a maximum accumulation dependent on years of service. Sick leave may be

accumulated indefinitely. Fifty percent of a maximum of 960 hours of outstanding sick leave is payable upon resignation, retirement, or death to those employees hired prior to July 1, 1985. As of December 31, 2018, the City has two employees employed prior to July 1, 1985 Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

Fund	Amount	Reason
General	$ 942,358	External Restriction Cashmere Valley Bank/Restrictions by donors
Traffic Impact Fees	$ 1,981,922	Traffic Impact Fees which is restricted by law RCW 82.02.050
Transportation Benefit District	$ 1,355,434	RCW 82.14.045 Voter approved sales tax
Criminal Justice	$ 1,240,655	Local Criminal Justice Tax RCW 82.14.340(4)-(5)
Drug Fund	$ 22,712	RCW 69.50.505
Park Acquisition	$ 913,750	Gas tax is externally restricted RCW 46.68.110/RCW 47.24.040
Lodging Tax	$ 611,755	RCW 67.28.180
Housing	$ 351,361	RCW 82.14.045 Voter approved sales tax
Debt Service - 210	$ 16,283	External Restriction - Bond Company
Debt Service - 230 2003 Library	$ 85,942	Property tax revenue voted on
Capital Fund - Sidewalk Fund	$ 758,981	capital projects identified in RCW 82.46 .030 and 82.45.180
Enterprise - Utility Deposits	$ 681,547	reserved - city code Chapter 2.12
Enterprise - Natural Gas Utility	$ 105,151	Bond Reserve Requirements
Enterprise - Electric Utility	$ 604,525	Bond Reserve Requirements
Enterprise - Water Utility	$ 691,366	Bond Reserve Requirements
Enterprise - Sewer Utility	$ 284,818	Bond Reserve Requirements

Note 2 – Deposits and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on the LGIP investment is prorated to the various funds and the investments held by fund retains the investment income.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

Type of Investment	City Investments	Investment held by City as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	30,007,196	-	30,007,196
U.S. Government Securities	14,140,328	-	14,140,328
Total	$ 44,147,524	$ -	$ 44,147,524

Compensating Balances. The average compensating balance maintained with US Bank in lieu of payments for services rendered for 2018 was $3,694,735.

Note 3 – Budget Compliance

A. Budgets

The City adopts biennially appropriated budgets for thirty-five funds. These budgets are appropriated at the fund level. Several managerial funds, combined for annual financial reporting purposes, are appropriated as separate funds. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end.

Biennially appropriated budgets were not adopted on the same basis of accounting as used for financial reporting. As disclosed in Note 14 (Change in Accounting Method), the city's basis of accounting for financial statement preparation changed for the 2018 reporting year. The budgetary basis for the city's legally adopted 2018 budget does not include expenditures previously budgeted and expended in 2017 as reported in the City's 2017 Comprehensive Annual Financial Reports. For 2018, the expenditures previously authorized under the 2017 appropriations are not included in the expenditure totals in the table below. Intrafund transactions between managerial funds are reported both as appropriated and actual expenditures in the table below.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund Groups/ Budgeted Funds	Original Appropriated Amounts	Final Appropriated Amounts	Actual Expenditures	Original Actual Expenditures (before change to cash basis)	Variance
Total General Fund	$15,129,765	$15,739,124	$14,292,882	14,423,693.19	$1,315,431
Budgeted General Sub-Funds					
Sales Tax Reserve	$4,098,622	$4,418,922	$4,418,922	4,418,922.00	$0
Police Equipment Reserve	$77,883	$108,625	$99,520	99,519.75	$9,105
Art Acquisition	$48,487	$50,000	$31,951	31,951.14	$18,049
Special Revenue Funds					
Street Fund	$2,251,992	$2,631,649	$1,882,174	1,798,085.05	$833,564
Arterial Street Fund	$1,403,000	$3,409,650	$1,582,991	1,582,990.75	$1,826,659
Traffic Impact Fee Fund	$705,000	$745,000	$93,426	96,804.59	$648,195
Public Transit Fund	$905,959	$1,323,423	$1,014,840	1,015,014.07	$308,409
Criminal Justice Fund	$865,313	$872,295	$722,941	722,941.03	$149,354
Drug Enforcement Fund	$8,000	$8,000	$3,007	2,508.39	$5,492
ECTV Ops. & Maintenance Fund	$96,228	$96,228	$79,346	79,345.77	$16,882
Park Acquisition Fund		$853,149	$100,117	19,146.30	$834,003
Lodging Tax Fund	$630,000	$630,000	$482,892	478,752.62	$151,247
Housing & Related Services Fund		$100,000	$1,777	1,777.30	$98,223
Total Special Revenue Funds	$6,865,492	$10,669,394	$5,963,511	$5,797,366	$4,872,028
Debt Service Funds					
Capital Improvement Debt Fund		$20,000	$3,717	3,717.02	$16,283
2010 Maintenance Bond Debt Fund	$212,700	$212,700	$212,400	212,250.00	$450
Library Bond Debt Fund	$164,600	$164,600	$164,300	164,150.00	$450
Total Debt Service Funds	$377,300	$397,300	$380,417	380,117.02	$17,183
Capital Project Funds					
Capital Improvement Bond Projects Fund	$6,800,000	$7,928,885	$489,424	489,391.23	$7,439,494
General Capital Projects Fund	$540,000	$476,799	$508,000	476,243.26	$556
Sidewalk Improvements Fund	$335,000	$368,650	$110,191	102,150.16	$266,500
Total Capital Project Funds	$7,675,000	$8,774,334	$1,107,615	1,067,784.65	$7,706,549
Trust & Agency Funds					
Library Trust Fund	$8,800	$8,800	$251	250.81	$8,549
Hal Holmes Trust Fund	$0	$18,000	$15,077	15,077.00	$2,923
Fire Relief & Pension Trust Fund	$160,906	$160,906	$117,205	117,205.13	$43,701
Total Agency & Trust Funds	$169,706	$187,706	$132,533	132,532.94	$55,173
Enterprise Funds					
Stormwater Utility Fund	$1,126,867	$2,019,129	$1,969,759	1,965,716.17	$53,413
Telecommunications Utility Fund	$252,123	$628,946	$201,269	192,457.51	$436,488
Natural Gas Utility Fund	$7,332,390	$6,920,048	$5,952,277	5,896,715.65	$1,023,332
Natural Gas Utility Bond Construction Func	$0	$512,092	$408,851	408,851.04	$103,241
Electric Utility Fund	$16,583,816	$17,646,805	$17,054,574	16,905,122.74	$741,682
Water Utility Fund	$5,858,124	$7,016,952	$4,396,808	4,392,842.27	$2,624,110
Water Utility Construction Fund	$1,200,000	$1,200,000	$44,503	44,503.24	$1,155,497
Wastewater Utility Fund	$4,263,609	$5,229,945	$4,042,132	4,086,055.97	$1,143,889
Total Enterprise Funds	$36,616,929	$41,173,917	$34,070,173	33,892,264.59	$7,281,652
Internal Service Funds					
Shop & Equipment Fund	$1,655,098	$2,425,201	$1,945,437	1,947,487.10	$477,714
Health & Benefits Fund	$2,222,760	$2,722,760	$2,438,230	2,480,570.61	$242,189
Risk Management Fund	$541,054	$561,054	$454,170	452,270.24	$108,784
Information Technology Fund	$1,041,977	$1,309,131	$1,042,351	1,039,468.37	$269,663
Total Internal Service Funds	$5,460,889	$7,018,146	$5,880,188	5,919,796.32	$1,098,350
All Budgeted Funds Total	$76,520,073	$88,537,469	$66,377,712	66,163,947.47	$22,373,521

Note 4 - Property Tax

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

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

The City's regular levy for the year 2018 was $1.936050 per $1,000 on an assessed valuation of $1,554,480,505 for a total regular levy of $3,009,552. In addition, the levy for debt service on a voter approved bond issue was $0.113564 per $1,000 on an assessed valuation of $1,540,969,955 for a total of $174,999.

Note 5 - Interfund Loans

The City has an outstanding interfund loan in the total amount of $964,657. This loan is from the Electric Fund to the General Fund to defease the 2001 & 2002 G.O. bonds.

The following table displays interfund loan activity during 2018:

Borrowing Fund	Lending Fund	Balance 1/1/2018	New Loans	Repayments	Balance 12/31/2018
General Fund	Light Fund	$ 1,269,657	$ -	$ 305,000	$ 964,657
Stormwater	Shop Fund	$ 941,823		$ 941,823	$ -
		$ 2,211,480	$ -	$ 1,246,823	$ 964,657

Note 6 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2018.

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

General Obligation Bonds

	Principal	Interest	Total
2019	$ 275,000	$ 107,100	$ 382,100
2020	$ 411,200	$ 97,600	$ 508,800
2021	$ 310,000	$ 87,600	$ 397,600
2022	$ 320,000	$ 77,600	$ 397,600
2023	$ 150,000	$ 67,125	$ 217,125
2024-2028	$ 845,000	$ 229,750	$ 1,074,750
2029-2033	$ 400,000	$ 30,250	$ 430,250
Total	$ 2,711,200	$ 697,025	$ 3,408,225

General Obligation Debt Issued for Business-Type Activities

	Principal	Interest	Total
2019	$ 11,643	$ 7,429	$ 19,072
2020	$ 11,971	$ 7,101	$ 19,072
2021	$ 12,309	$ 6,763	$ 19,072
2022	$ 12,656	$ 6,416	$ 19,072
2023	$ 13,013	$ 6,059	$ 19,072
2024-2028	$ 70,778	$ 24,582	$ 95,360
2029-2033	$ 81,335	$ 14,025	$ 95,360
2034-2038	$ 54,514	$ 2,702	$ 57,216
Total	$ 268,218	$ 75,079	$ 343,297

Revenue Bonds

	Principal	Interest	Total
2019	$ 1,169,490	$ 499,623	$ 1,669,113
2020	$ 1,201,392	$ 450,192	$ 1,651,584
2021	$ 1,238,483	$ 419,040	$ 1,657,524
2022	$ 1,270,770	$ 386,932	$ 1,657,702
2023	$ 1,059,910	$ 355,680	$ 1,415,590
2024-2028	$ 5,741,593	$ 1,320,912	$ 7,062,504
2029-2033	$ 3,508,152	$ 523,465	$ 4,031,617
2034-2038	$ 726,145	$ 31,075	$ 757,219
Total	$ 15,915,934	$ 3,986,919	$ 19,902,853

Assesment Debt/Liabilities (with commitments)

	Principal	Interest	Total
2019	$ 16,825	$ 5,959	$ 22,784
2020	$ 16,825	$ 4,951	$ 21,775
2021	$ 16,825	$ 3,940	$ 20,765
2022	$ 16,826	$ 2,931	$ 19,757
2023	$ 7,556	$ 1,366	$ 8,921
2024-2028	$ 14,922	$ 1,377	$ 16,299
Total	$ 89,777	$ 20,524	$ 110,300

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 payments each year.

The 2014 Unlimited Tax 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 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, and 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.

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.

2010 Water/Sewer Revenue Bonds for the purpose of paying the cost of carrying out 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. These bonds will mature in 2029.

2013 Water 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.

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.

2016 Water/Sewer Refunding (2010) Bonds for the purpose of providing funds to refund outstanding water/sewer revenue bonds of the City. These bonds will mature in 2029.

2016 Gas Bonds for the purpose of proving funds to pay or reimburse the costs of certain capital improvements to and extension of the Natural Gas Utility. These bonds will mature in 2036.

The 2016 Limited Tax General Obligation Bonds were sold to provide funds necessary to repay an interfund loan and too provide funds for long term financing of the City's telecommunication infrastructure. This is

a General Obligation Debt issued for Business-Type activities. The bond will mature in 2036.

Assessment Debt or Conduit Debt obligations are debt instruments issued for the express purpose of providing financing for a third party that is not part of the financial reporting entity.

Local Improvement District (LIDS) are a means of assisting benefiting properties in financing needed capital improvements through the formation of special assessment districts. All financing was secured through Cashmere Valley Bank, Ellensburg, WA. For the 2018 fiscal year the City had four active LIDS; Tamarack Lane assigned LID #2001-1, improvements included water and sewer mains with service connections, asphalt roadway, and concrete curbs and gutters; Helena Street assigned LID #2004-1, the improvements were street and utility related; 5th & Ruby Street assigned LID #1995-1, the improvements were for concrete sidewalks, curbs, gutters, lights, trees , and replacement pavers; and 3rd & Ruby Street assigned LID #1997-1, improvements included streets, sidewalks, lighting and trees.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans:

Public Employees' Retirement System (PERS)
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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

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

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

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

At June 30, 2018, (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	479,801	0.071781%	3,205,764
PERS2/3	698,397	0.090511%	1,545,395
LEOFF 1	-	0.039851%	(723,496)
LEOFF 2	117,194	0.067582%	(1,372,062)

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2
The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Local Government Pension Plans

The City is the administrator of a pension retirement system called the Fire Relief and Pension Fund; a single employer defined benefit plan. The system provides retirement, disability, and death benefits to members and beneficiaries. The system is closed with no active members.

As of December 31, 2018, there were a total of 7 individuals covered by this system. Six of them are retirees and one is a widow of a retiree. The net pension liability as reported on the schedule 09 was $238,057.

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 2018 was $21,280. This is not considered a special funding situation.

Note 8 – 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 160 members.

New members initially contract for a three-year term, and therefore automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million in limits above the self-insured layer is provided by reinsurance. Total limits are $20 million per occurrence subject to aggregates and 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 coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage id 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, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

B. Partial Self Insurance

As of December 31, 2018, the City is partially self-insured for its employee health and benefits program. The City purchased individual and 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 take over. To cover the two million, the City has $1.973 million in operating revenues in 2018. In 2018 the City had $168,771 in stop loss recoveries. The City has not exceeded the insurance coverage in the first 6 years of the program.

Note 9 - Joint Operations with the County

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 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 2018 operations are as follows:

	Budget	Actual
Kittitas County	49,000	58,398
City of Elllensburg	98,979	85,708
Tour Fees	8,000	7,061
Other Revenues	32,280	38,558
Total Support	**188,259**	**189,725**

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

Note 10 - Related Party

Organizations for which a primary government is accountable because that government appoints a voting majority of the board, but is not financially accountable, are related organizations. The City has a Related Organization relationship 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, assisting, facilitating, promoting 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.

Note 11 – Other Post-Employment Benefits (OPEB) Plans

The City administers two closed, single employer, defined OPEB plans designed for post-employment health care benefits to 22 police and firefighters who are retired or disabled. Both plans require expenses to be approved by the Kittitas County LEOFF Disability Board. They are the Law Enforcement Officers' and Fire Fighters Retirement System Plan One (LEOFF 1), as required by Washington State law RCW 41.26.150 and the Fire Relief and Pension Plan which provides for pre-LEOFF 1 police and firefighters who retired or disabled.

The Fire Relief and Pension Plan, which pre-dates the Law Enforcement Officers' and Fire Fighters Retirement System Plan, is addressed in RCW 41.26.150(1) which states 'in the case of active or retired firefighters the employer may make the payments provided in this section from the firefighters pension fund established pursuant to RCW 41.16.050 where the fund had been established prior to March 1, 1970. If this pension fund is depleted, the employer shall have the obligation to pay all benefits payable under chapters 41.16 and 41.18 RCW'.

The LEOFF 1 retiree medical plan is directed and defined by the State of Washington Revised Code RCW 41.26.150, states in part 'whenever any active member, or any member hereafter retired, on account of service, sickness, or disability, not caused or brought on by dissipation or abuse, of which the disability board shall be the judge, is confined in any hospital or in home, and whether or not so confined, requires medical services, the employer shall pay for the active or retired member the necessary medical services not payable from some other source as provided for in subsection (2) of this section'.

For both plans, 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. 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 medical services cover active and retired members only. Spouses are not eligible. Health insurance premiums are paid monthly, and other medical services are paid as billings are presented for payment.

The plans have 22 retired members and zero active. Employer contributions are financed on a pay-as-you-go basis. During 2018, expenditures of $314,366 were recognized for other post-employment benefits.

Note 12 – Limitation of Indebtedness

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.

Calculation of Limitation of Indebtedness

			Remaining Debt Capacity
Total Taxable Property Value	$	1,554,480,505	
2.5% General purpose limit is allocated between:		38,862,013	
Up to 1.5% debt without a vote (RCW 39.36.020)		23,317,208	
Less: Outstanding Debt (non-voted)		2,051,200	
Less: Excess of Debt with a Vote		-	
Add: Available Assets		40,642	
Equals remaining debt capacity without a vote			21,306,650
Up to 2.5% debt with a vote (RCW 39.36.020)		36,851,455	
Less: Outstanding Debt (voted)		660,000	
Add: Available Assets		91,316	
Equals remaining debt capacity with a vote			36,282,771
2.5% Utility purpose limit, voted (RCW 39.36.020)		38,862,013	
Less: Outstanding Debt		-	
Less: Contracts Payable		-	
Add: Available Assets		-	
Equals remaining debt capacity- Utility purpose, voted			38,862,013
2.5% Open Space, park & capital facilities, voted (RCW 39.36.020		38,862,013	
Less: Outstanding Debt		-	
Less: Contracts Payable		-	
Add: Available Assets		-	
Equals remaining debt capacity - Open space, park & capital facilites, voted			$ 38,862,013

Note 13 – Change in Accounting Method

In 2018, the City switched from Generally Accepted Accounting Principles (GAAP), which is a modified accrual basis of accounting, to the cash basis of accounting as allowed by the Washington State Auditor's Office (SAO) under the authority of RCW 43.09.200. The City employs the 20-day open period as prescribed by RCW 35.33.151. Transactions having cash impacts in 2018 but were originally reported in the prior year under GAAP, are included in the current expenses to guarantee that the 2018 financial information include a fair presentation of a full twelve months of regular operating revenues and expenses. This methodology will ensure having a basis for accuracy and consistency in future trend analysis.

Note 14 – Contingencies and Litigations

Presently there are two lawsuits pending against the City for personal injury. The assessed potential liability of the claims is low.

Note 15 – Construction Commitment

The City has active construction projects as of December 31, 2018.
These projects commitments include:

Willow Street Improvements 18-084	
Archaeological Services	3,007.95
University Way/Wildcat Way Intersection Improvements	
Belsaas & Smith	1,147,160.50
Perteet	3,790.50
J. Wayne Trail - 18th Ave South to 14th Ave	
Belsaas & Smith Constru	343,208.12
Tierra ROW Services	4,378.88
Kittitas County	4,500.24
ADA Transition Plan	
Perteet	15,116.17
Reecer Creek Land Acquisition Phase II	
Aspect	109,576.25
Illinois Well Drilling	
Schneider Equipment Co	753,632.63
WwTF Electrical Upgrade Phase II	
Colvico	962,491.38
Gray & Osborne	101,051.43
Shop/Warehouse Electrical Upgrades	
CB Electric	13,666.09

Note 16 – Subsequent Events

In 2017, the City secured the 2017 Facilities Capital Bonds for the purpose of remodeling, expanding and equipping the Ellensburg Police Department building. On March 18, 2019 a bid was awarded to T W Clark Construction of Spokane Valley Washington as the low bidder in the amount of $5,629,000. A notice to proceed is anticipated to be sent to the contractor the first week of April 2019 and puts construction final completion late June 2020.

City of Ellensburg
Schedule of Liabilities
For the Year Ended December 31, 2018

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LTGO Bonds, 2010	12/1/2030	2,050,000	-	120,000	1,930,000
251.12	UTGO Bonds, 2014	12/1/2022	800,000	-	140,000	660,000
251.11	LTGO Bonds, 2017	12/1/2037	121,200	-	-	121,200
251.11	LTGO Bonds, 2016, issued for Telecom	12/1/2036	279,542	-	11,324	268,218
	Total General Obligation Debt/Liabilities:		**3,250,742**	**-**	**271,324**	**2,979,418**
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		1,643,892	26,233	-	1,670,125
264.30	Net Pension Liability		7,017,904	-	2,028,688	4,989,216
252.11	Water/Sewer Bond -2010	12/1/2019	450,000	-	220,000	230,000
252.11	Water/Sewer Refunding Bonds	12/1/2019	510,000	-	250,000	260,000
252.11	Water Bond- 2013	12/1/2022	1,119,570	-	211,552	908,018
252.11	Electric Refunding Bond - 2014	12/1/2025	2,750,000	-	315,000	2,435,000
252.11	Electric Bond - 2014	12/1/2025	4,505,000	-	10,000	4,495,000
252.11	Gas 2016	12/1/2036	824,136	-	36,220	787,916
252.11	Water Sewer Refunding 2016	12/1/2029	6,890,000	-	90,000	6,800,000
	Total Revenue and Other (non G.O.) Debt/Liabilities:		**25,710,502**	**26,233**	**3,161,460**	**22,575,275**
Assessment Debt/Liabilities (with commitments)						
253.43	LID Warrents with Commitments	7/29/2025	111,655	-	21,878	89,777
	Total Assessment Debt/Liabilities (with commitments):		**111,655**	**-**	**21,878**	**89,777**
	Total Liabilities:		**29,072,899**	**26,233**	**3,454,662**	**25,644,470**

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov