



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
City of Ellensburg

For the period January 1, 2019 through December 31, 2019

Published August 13, 2020

Report No. 1026793





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

August 13, 2020

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, 2019 through December 31, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 5, 2020.

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

As discussed in Note 11 to the financial statements, during the year ended December 31, 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

As discussed in Note 16 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City.

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

August 5, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Ellensburg January 1, 2019 through December 31, 2019

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, 2019, 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 state law 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 state law 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, 2019, 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, 2019, or the changes in financial position or cash flows thereof 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 11 to the financial statements, in 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. 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 August 5, 2020 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

August 5, 2020

FINANCIAL SECTION

City of Ellensburg January 1, 2019 through December 31, 2019

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2019
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
Notes to the Financial Statements – 2019

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2019

City of Ellensburg
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		Total for All Funds (Memo Only)	001 GENERAL FUND	120 STREET FUND	125 TRAFFIC IMPACT FEES
Beginning Cash and Investments					
30810	Reserved	10,777,598	942,358	-	1,981,922
30880	Unreserved	33,858,245	6,442,420	1,879,338	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	16,257,149	12,079,814	-	-
320	Licenses and Permits	789,543	782,414	7,129	-
330	Intergovernmental Revenues	3,488,993	542,703	2,073,253	-
340	Charges for Goods and Services	45,387,556	1,752,479	973,141	245,680
350	Fines and Penalties	284,246	274,759	-	-
360	Miscellaneous Revenues	2,508,350	540,458	57,389	36,042
Total Revenues:		68,715,837	15,972,627	3,110,912	281,722
Expenditures					
510	General Government	7,495,233	1,498,571	61,200	-
520	Public Safety	5,766,425	5,112,306	-	-
530	Utilities	28,102,042	-	-	-
540	Transportation	5,906,905	891,938	2,224,353	8,347
550	Natural and Economic Environment	2,213,726	1,541,520	-	-
560	Social Services	234,391	234,391	-	-
570	Culture and Recreation	3,563,506	3,563,506	-	-
Total Expenditures:		53,282,228	12,842,232	2,285,553	8,347
Excess (Deficiency) Revenues over Expenditures:		15,433,609	3,130,395	825,359	273,375
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	7,078,800	-	-	-
397	Transfers-In	3,209,519	12,749	2,939,070	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	3,353,659	163,292	-	-
Total Other Increases in Fund Resources:		13,641,978	176,041	2,939,070	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	12,961,481	41,929	2,604,718	-
591-593, 599	Debt Service	2,128,369	32,116	-	-
597	Transfers-Out	3,209,519	1,678,000	-	1,298,718
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	2,809,323	505,008	-	-
Total Other Decreases in Fund Resources:		21,108,692	2,257,053	2,604,718	1,298,718
Increase (Decrease) in Cash and Investments:		7,966,895	1,049,383	1,159,711	(1,025,343)
Ending Cash and Investments					
5081000	Reserved	13,187,509	979,138	500,000	956,579
5088000	Unreserved	39,415,229	7,455,024	2,539,049	-
Total Ending Cash and Investments		52,602,738	8,434,162	3,039,049	956,579

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, 2019

		127 TRANSPORTATI ON BENEFIT	130 CRIMINAL JUSTICE FUND	137 DRUG FUND	150 CATV OPERATIONS FUND
Beginning Cash and Investments					
30810	Reserved	1,355,434	1,240,655	22,712	129,038
30880	Unreserved	25,336	32,265	2,018	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,199,186	1,174,552	-	83,760
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	474,802	-	-	-
340	Charges for Goods and Services	75,000	-	-	139
350	Fines and Penalties	-	-	9,487	-
360	Miscellaneous Revenues	34,524	31,333	618	2,424
Total Revenues:		<u>1,783,512</u>	<u>1,205,885</u>	<u>10,105</u>	<u>86,323</u>
Expenditures					
510	General Government	13,922	-	-	-
520	Public Safety	-	625,999	4,737	-
530	Utilities	-	-	-	-
540	Transportation	1,238,480	-	-	-
550	Natural and Economic Environment	-	55,257	-	90,966
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>1,252,402</u>	<u>681,256</u>	<u>4,737</u>	<u>90,966</u>
Excess (Deficiency) Revenues over Expenditures:		531,110	524,629	5,368	(4,643)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 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, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
Increase (Decrease) in Cash and Investments:		531,110	524,629	5,368	(4,643)
Ending Cash and Investments					
5081000	Reserved	1,852,021	1,733,950	27,463	124,395
5088000	Unreserved	59,860	63,598	2,636	-
Total Ending Cash and Investments		1,911,881	1,797,548	30,099	124,395

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, 2019

		160 PARK ACQUISITION FUND	165 LODGING TAX FUND	172 HOUSING FUND	210 DEBT SERVICE FUND
Beginning Cash and Investments					
30810	Reserved	913,750	611,755	351,361	16,283
30880	Unreserved	23,677	41,901	1,743	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	578,016	598,470	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,072	-	-	-
340	Charges for Goods and Services	224,533	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	17,591	12,885	13,164	-
Total Revenues:		244,196	590,901	611,634	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	500,598	25,385	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	500,598	25,385	-
Excess (Deficiency) Revenues over Expenditures:		244,196	90,303	586,249	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	45,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	45,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	405,633	399,945	-	-
591-593, 599	Debt Service	-	-	-	35,760
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		405,633	399,945	-	35,760
Increase (Decrease) in Cash and Investments:		(161,437)	(309,642)	586,249	9,240
Ending Cash and Investments					
5081000	Reserved	734,723	289,228	924,446	25,523
5088000	Unreserved	41,268	54,786	14,907	-
Total Ending Cash and Investments		775,991	344,014	939,353	25,523

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, 2019

		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	-	85,942	-	-
30880	Unreserved	40,642	5,374	11,004	691,950
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	176,107	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		-	176,107	-	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	10,939
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	10,939
Excess (Deficiency) Revenues over Expenditures:		-	176,107	-	(10,939)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	7,078,800
397	Transfers-In	212,700	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	199,094
Total Other Increases in Fund Resources:		212,700	-	-	7,277,894
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	5,235,642
591-593, 599	Debt Service	213,370	170,100	-	-
597	Transfers-Out	-	-	11,004	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		213,370	170,100	11,004	5,235,642
Increase (Decrease) in Cash and Investments:		(670)	6,007	(11,004)	2,031,313
Ending Cash and Investments					
5081000	Reserved	-	91,949	-	2,031,314
5088000	Unreserved	39,972	5,374	-	691,950
Total Ending Cash and Investments		39,972	97,323	-	2,723,264

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, 2019

		365 GENERAL FUND CAP. PROJ. FUND	366 SIDEWALK FUND	431 STORMWATER UTILITY FUND	441 UTILITY DEPOSITS FUND
Beginning Cash and Investments					
30810	Reserved	-	758,981	-	681,547
30880	Unreserved	1,745	64,543	639,300	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	367,244	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	33,636	-
340	Charges for Goods and Services	-	-	1,121,396	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	21,571	12,828	8,419
Total Revenues:		-	388,815	1,167,860	8,419
Expenditures					
510	General Government	-	-	160,648	-
520	Public Safety	-	-	350	-
530	Utilities	-	-	805,583	-
540	Transportation	-	303,118	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	303,118	966,581	-
Excess (Deficiency) Revenues over Expenditures:		-	85,697	201,279	8,419
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	2,281,108
Total Other Increases in Fund Resources:		-	-	-	2,281,108
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	121,467	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	1,745	220,052	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	2,291,836
Total Other Decreases in Fund Resources:		1,745	220,052	121,467	2,291,836
Increase (Decrease) in Cash and Investments:		(1,745)	(134,355)	79,812	(2,309)
Ending Cash and Investments					
5081000	Reserved	-	604,718	-	679,238
5088000	Unreserved	-	84,451	719,111	-
Total Ending Cash and Investments		-	689,169	719,111	679,238

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, 2019

		451 TELECOMM. UTILITY FUND	461 NATURAL GAS UTILITY FUND	471 ELECTRIC UTILITY FUND	481 WATER UTILITY FUND
Beginning Cash and Investments					
30810	Reserved	-	105,151	604,525	691,366
30880	Unreserved	102,779	1,865,570	4,329,795	4,776,170
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	102,527	-	-	260,000
340	Charges for Goods and Services	259,496	7,354,769	18,388,577	4,804,203
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,291	67,314	206,824	724,158
Total Revenues:		<u>365,314</u>	<u>7,422,083</u>	<u>18,595,401</u>	<u>5,788,361</u>
Expenditures					
510	General Government	8,485	377,505	770,288	435,073
520	Public Safety	-	2,475	5,954	2,205
530	Utilities	160,014	6,520,529	14,349,917	3,109,611
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>168,499</u>	<u>6,900,509</u>	<u>15,126,159</u>	<u>3,546,889</u>
Excess (Deficiency) Revenues over Expenditures:		<u>196,815</u>	<u>521,574</u>	<u>3,469,242</u>	<u>2,241,472</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	328,527	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>328,527</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	94,707	310,109	794,785	1,309,861
591-593, 599	Debt Service	19,072	52,114	604,825	720,055
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>113,779</u>	<u>362,223</u>	<u>1,399,610</u>	<u>2,029,916</u>
Increase (Decrease) in Cash and Investments:		<u>83,036</u>	<u>159,351</u>	<u>2,398,159</u>	<u>211,556</u>
Ending Cash and Investments					
5081000	Reserved	-	52,115	604,525	691,366
5088000	Unreserved	185,816	2,077,954	6,727,953	4,987,724
Total Ending Cash and Investments		<u>185,816</u>	<u>2,130,069</u>	<u>7,332,478</u>	<u>5,679,090</u>

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, 2019

	491 SEWER UTILITY FUND	531 SHOP FUND	540 HEALTH/BENEF ITS FUND	545 RISK MANAGEMENT FUND
Beginning Cash and Investments				
30810	Reserved	284,818	-	-
30880	Unreserved	3,507,009	6,506,372	1,115,153
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	4,138,218	2,210,328	1,926,064
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	415,749	230,481	28,294
Total Revenues:		4,553,967	2,440,809	1,954,358
Expenditures				
510	General Government	326,673	-	2,440,095
520	Public Safety	1,460	-	-
530	Utilities	3,156,388	-	-
540	Transportation	-	1,240,669	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		3,484,521	1,240,669	2,440,095
Excess (Deficiency) Revenues over Expenditures:		1,069,446	1,200,140	(485,737)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 382, 395, 398	Other Resources	-	1,510	380,128
Total Other Increases in Fund Resources:		-	1,510	380,128
Other Decreases in Fund Resources				
594-595	Capital Expenditures	1,212,795	429,890	-
591-593, 599	Debt Service	280,957	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581, 582	Other Uses	-	12,479	-
Total Other Decreases in Fund Resources:		1,493,752	442,369	-
Increase (Decrease) in Cash and Investments:		(424,306)	759,281	(105,609)
Ending Cash and Investments				
5081000	Reserved	284,818	-	-
5088000	Unreserved	3,082,706	7,265,651	1,009,544
Total Ending Cash and Investments		3,367,524	7,265,651	1,009,544
			1,176,677	1,176,677

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, 2019

		550 IT FUND
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	858,525
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	1,223,489
350	Fines and Penalties	-
360	Miscellaneous Revenues	20,532
Total Revenues:		1,244,021
Expenditures		
510	General Government	973,328
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		973,328
Excess (Deficiency) Revenues over Expenditures:		270,693
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 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, 582	Other Uses	-
Total Other Decreases in Fund Resources:		-
Increase (Decrease) in Cash and Investments:		270,693
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	1,129,218
Total Ending Cash and Investments		1,129,218

The accompanying notes are an integral part of this statement.

City of Ellensburg
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2019

		<u>Custodial</u>
308	Beginning Cash and Investments	2,522
388 & 588	Net Adjustments	-
310-390	Additions	72,045
510-590	Deductions	73,594
	Net Increase (Decrease) in Cash and Investments:	(1,549)
508	Ending Cash and Investments	974

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, 2019

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.

Custodial 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 separation, 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, 2019, the City has one employee 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	\$ 979,138	External Restriction Cashmere Valley Bank/Restrictions by donors
Street	\$ 500,000	Unexpended portion of Complete Streets Award program
Traffic Impact Fees	\$ 956,579	Traffic Impact Fees which is restricted by law RCW 82.02.050
Transportation Benefit District	\$ 1,852,021	RCW 82.14.045 Voter approved sales tax
Criminal Justice	\$ 1,733,950	Local Criminal Justice Tax RCW 82.14.340(4)-(5)
Drug Fund	\$ 27,463	RCW 69.50.505
CATV Operations Fund	\$ 124,395	Cable TV Utility Tax
Park Acquisition	\$ 734,723	Gas tax is externally restricted RCW 46.68.110/RCW 47.24.040
Lodging Tax	\$ 289,228	RCW 67.28.180
Housing	\$ 924,446	RCW 82.14.045 Voter approved sales tax
Debt Service - 210	\$ 25,523	External Restriction - Bond Company
Debt Service - 230 2003 Library	\$ 91,949	Property tax revenue voted on
2017 Facility Bond Capital Project	\$ 2,031,314	Bond Proceeds
Capital Fund - Sidewalk Fund	\$ 604,718	capital projects identified in RCW 82.46 .030 and 82.45.180
Enterprise - Utility Deposits	\$ 679,238	reserved - city code Chapter 2.12
Enterprise - Natural Gas Utility	\$ 52,115	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

Investments are reported at original cost. Investments by type at December 31, 2019 are as follows:

Type of Investment	City of Ellensburg's own deposits and investments
Bank Deposits	1,821,908
LGIP	38,076,549
US Gov't Securities	12,693,660
Total	52,592,117

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.

Investments in the State Local Government Investment Pool (LGIP)

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

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

Custodial Credit Risk

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

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

Compensating Balances

The amounts previously referred to as bank balance, also includes a compensating balance maintained with U.S. Bank in lieu of payments for services rendered. The average compensating balance maintained during 2019 was approximately \$3,187,957.

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 adopted on the same basis of accounting as used for financial reporting. 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:

Budgeted Fund	Original Budgeted Expenditures	Final Budgeted Expenditures	Actual Expenditures	Variance
Total General Fund	15,624,711	16,012,041	13,194,626	2,817,414
Budgeted General Sub-Funds				
Sales Tax Reserve	4,143,000	4,193,632	4,168,000	25,632
Police Equipment Reserve		13,506	13,506	(0)
Art Acquisition	50,289	60,385	46,330	14,055
Total Budgeted Sub-Funds	4,193,289	4,267,523	4,227,836	39,686
Special Revenue Funds				
Street Fund	2,534,141	2,716,248	2,185,033	531,215
Arterial Street Fund	5,716,480	6,559,312	2,705,236	3,854,076
Traffic Impact Fee Fund	1,398,000	1,460,959	1,307,065	153,894
Public Transit Fund	1,481,576	1,575,248	1,252,402	322,847
Criminal Justice Fund	841,451	841,451	681,257	160,194
Drug Enforcement Fund	6,500	6,500	4,736	1,764
ECTV Ops. & Maintenance Fund	103,349	103,349	90,966	12,383
Park Acquisition Fund	1,025,000	1,125,000	405,633	719,367
Lodging Tax Fund	1,049,000	1,149,000	900,543	248,457
Housing & Related Services Fund	332,500	332,500	25,385	307,115
Total Special Revenue Funds	14,487,998	15,869,568	9,558,256	6,311,312
Debt Service Funds				
Capital Improvement Debt Fund	20,000	45,000	35,760	9,240
2010 Maintenance Bond Debt Fund	212,900	213,400	213,370	30
Library Bond Debt Fund	170,400	170,400	170,100	300
Total Debt Service Funds	403,300	428,800	419,230	9,570
Capital Project Funds				
Capital Improvement Bond Projects Fund	4,414,658	5,414,658	5,246,580	168,078
Sidewalk Improvements Fund	704,000	786,903	523,170	263,733
Total Capital Project Funds	5,118,658	6,201,561	5,769,750	431,811
Trust & Agency Funds				
Library Trust Fund	8,800	8,800	1,947	6,853
Hal Holmes Trust Fund	10,000	10,000		10,000
Fire Relief & Pension Trust Fund	137,209	157,209	142,403	14,805
Total Agency & Trust Funds	156,009	176,009	144,350	31,658
Enterprise Funds				
Stormwater Utility Fund	1,428,248	1,428,248	1,088,047	340,201
Telecommunications Utility Fund	144,255	294,255	282,277	11,978
Natural Gas Utility Fund	6,674,376	8,074,495	7,207,188	867,306
Natural Gas Utility Bond Construction Fund		105,151	104,143	1,008
Electric Utility Fund	17,450,803	17,574,424	16,516,701	1,057,723
Water Utility Fund	6,748,766	6,989,125	5,552,064	1,437,061
Water Utility Construction Fund	1,100,000	1,286,292	1,161,684	124,608
Wastewater Utility Fund	5,626,296	5,697,234	4,981,760	715,474
Total Enterprise Funds	39,172,744	41,449,224	36,893,865	4,555,359
Internal Service Funds				
Shop & Equipment Fund	1,933,829	2,397,161	1,681,892	715,270
Health & Benefits Fund	2,211,915	2,378,715	2,440,094	(61,379)
Risk Management Fund	446,653	466,653	429,445	37,208
Information Technology Fund	1,517,883	1,517,883	973,328	544,555
Total Internal Service Funds	6,110,280	6,760,412	5,524,758	1,235,654
All Budgeted Funds Total	85,266,988	91,165,138	75,732,673	15,432,465

Budgeted amounts are authorized to be transferred within funds; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City’s legislative body.

The variance in the Health & Benefits Fund is due to an unexpected increase in medical claims. The expenditures are consistent with the Council adopted self-insured medical benefit for employees and within the available resources for the internal service fund.

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 2019 was \$1.783401 per \$1,000 on an assessed valuation of \$1,755,932,713 for a total regular levy of \$3,131,532. In addition, the levy for debt service on a voter approved bond issue was \$0.100454 per \$1,000 on an assessed valuation of \$1,742,089,743 for a total of \$175,000.

Note 5 - Interfund Loans

The City has an outstanding interfund loan in the total amount of \$644,657. 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 2019:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance</u> <u>1/1/2019</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2019</u>
General Fund	Light Fund	\$ 964,657	\$ -	\$ 320,000	\$ 644,657
		<u>\$ 964,657</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ 644,657</u>

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, 2019.

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

General Obligation Bonds			
	Principal	Interest	Total
2020	\$ 290,000	\$ 300,784	\$ 590,784
2021	\$ 310,000	\$ 290,784	\$ 600,784
2022	\$ 681,675	\$ 278,250	\$ 959,925
2023	\$ 521,954	\$ 257,497	\$ 779,451
2024	\$ 537,525	\$ 241,301	\$ 778,826
2025-2029	\$ 2,967,000	\$ 917,879	\$ 3,884,879
2030-2034	\$ 2,600,142	\$ 426,736	\$ 3,026,878
2035-2039	\$ 1,606,704	\$ 80,273	\$ 1,686,977
Total	\$ 9,515,000	\$ 2,793,504	\$ 12,308,504
General Obligation Debt Issued for Business-Type Activities			
	Principal	Interest	Total
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	\$ 13,380	\$ 5,693	\$ 19,073
2025-2029	\$ 72,774	\$ 22,587	\$ 95,361
2030-2034	\$ 83,628	\$ 11,732	\$ 95,360
2035-2039	\$ 36,846	\$ 1,299	\$ 38,145
Total	\$ 256,576	\$ 67,651	\$ 324,227
Revenue Bonds			
	Principal	Interest	Total
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	\$ 1,080,693	\$ 328,783	\$ 1,409,476
2025-2029	\$ 5,910,739	\$ 1,154,124	\$ 7,064,863
2030-2034	\$ 2,882,721	\$ 390,053	\$ 3,272,774
2035-2039	\$ 101,737	\$ 2,492	\$ 104,229
Total	\$ 14,746,445	\$ 3,487,296	\$ 18,233,742
Assesment Debt/Liabilities (with commitments)			
	Principal	Interest	Total
2020	\$ 16,683	\$ 4,360	\$ 21,043
2021	\$ 16,683	\$ 3,356	\$ 20,039
2022	\$ 16,683	\$ 2,352	\$ 19,036
2023	\$ 7,414	\$ 4,686	\$ 12,100
2024	\$ 7,414	\$ 901	\$ 8,315
2025-2029	\$ 7,207	\$ 462	\$ 7,669
Total	\$ 72,084	\$ 16,117	\$ 88,202

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.

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 matured 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 2019 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, 2019, (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	506,035	0.070573%	2,713,782
PERS 2/3	730,514	0.089443%	868,796
LEOFF 1		0.039938%	(789,419)
LEOFF 2	127,116	0.068945%	(1,597,244)

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, 2019, there were a total of 6 individuals covered by this system. Five of them are retirees and one is a widow of a retiree. The net pension liability as reported on the schedule 09 was \$277,350.

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 2019 was \$21,436. 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 163 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 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, 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, 2019, 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 \$90,000 in claims for an individual employee with an aggregating specific deductible of \$45,000 and up to \$2.175 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 \$1.954 million in operating revenues in 2019. In 2019 the City had \$380,128 in stop loss recoveries. The City has not exceeded the insurance coverage in the first 7 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 2019 operations are as follows:

	Budget	Actual
Kittitas County	49,000.00	59,008.00
City of Ellensburg	96,760.00	101,914.00
Tour Fees	8,000.00	13,952.00
Other Revenues	33,800.00	34,186.00
Total Support	187,560.00	209,060.00

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

During the year ending 2019, the City of Ellensburg adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

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 20 retired members and zero active. Employer contributions are financed on a pay-as-you-go basis. During 2019, expenditures of \$334,784 were recognized for other post-employment benefits.

The City of Ellensburg's OPEB liability as of December 31, 2019 was \$7,643,736 and was calculated using the Office of the Washington State Actuary alternative measurement method tool.

Note 12 – Fiduciary Activities

Washington State law requires counties to act as a fiscal agent on behalf of special purpose districts. The resources collected and held for these districts in a custodial capacity were previously omitted from the financial statements. Starting in fiscal year 2017, counties are required to report the custodial amounts on their financial statements. This requirement resulted in addition of \$72,045 in custodial deposits reported in the statement of *Fiduciary Fund Resources and Uses Arising from Cash Transactions* for the year ended December 31, 2019. In addition, these amounts are now required to be presented by fund type rather than by individual fund.

Note 13 – 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	1,755,932,713	
2.5% General purpose limit is allocated between:	43,898,318	
Up to 1.5% debt without a vote (RCW 39.36.020)	26,338,991	
Less: Outstanding Debt (non-voted)	9,005,000	
Less: Excess of Debt with a Vote	-	
Add: Available Assets	65,496	
Equals remaining debt capacity without a vote		\$17,399,487
Up to 2.5% debt with a vote (RCW 39.36.020)	34,958,814	
Less: Outstanding Debt (voted)	510,000	
Add: Available Assets	97,323	
Equals remaining debt capacity with a vote		\$34,546,137
2.5% Utility purpose limit, voted (RCW 39.36.020)	43,898,318	
Less: Outstanding Debt	-	
Less: Contracts Payable	-	
Add: Available Assets	-	
Equals remaining debt capacity- Utility purpose, voted		43,898,318
2.5% Open Space, park & capital facilities, voted (RCW 39.36.020)	43,898,318	
Less: Outstanding Debt	-	
Less: Contracts Payable	-	
Add: Available Assets	-	
Equals remaining debt capacity - Open space, park & capital facilities, voted		\$ 43,898,318

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, 2019. These projects commitments include:

Project	Amount Remaining on Contract
Willow Street Improvements 18-084	3,008
Active Transportation Program 18-113	263
University Way Gateway Project 17-114 & 18-102	214,314
Bridge Load Ratings Update 19-075	34,815
18th & Walnut Signalization 19-106	52,349
Dean Nicholson Blvd & Wildcat Way Signalization 19-106	52,391
Reecer Creek Land Acquisition Phase II 17-133	12,192
Gas Cathodic Protection	34,113
Gas Meter Testing	6,311
Gas Meter Purchases	15,618
Light Conservation Programs	30,000
Light Substation Bushing Replacement	20,250
Light Transformer Testing	12,996
Bull Road Water, Sewer, Gas & Light Extensions 15-125	161,019
Water System Plan Update 17-135 & 19-090	88,009
Telemetry System SCADA Upgrade 19-080	10,978
Illinois Well Drilling 17-136	11,103
Illinois Well Outfitting 19-110	82,409
WwTF Electrical Upgrade Phase II 16-078	3,867

Note 16 – Subsequent Events

COVID 19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The actual and even the potential financial or operational impact on the City, is not known as this time. We continue to update what we feel is the potential financial and operational impacts as information becomes available. Unfortunately, with no “end date” to the current pandemic, impacts are changing daily as the re-opening our state continues to be pushed back. Year-end tax revenue for all tax sources is projected to come in 18.52% below budget. The City has sufficient reserves to carry us through projected funding decreases for 2020. We anticipate updating and addressing the revenue reductions each quarter. Staff is currently evaluating all purchases for need and only approving expenditures that are essential for conducting City business. Management has implemented a hiring freeze on all General Fund positions. This freeze applies to both temporary and part-time employees idled as a result of the stay at home order and may be reemployed on a case by case basis. 2020 projects have been put on hold until we are able to review that the funding source is still in place and at such time as we can decide if the project will be cancelled or rescheduled for a later date.

The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time.

Stormwater Bond

On March 4, 2020, the City secured a private placement revenue bond up to \$5,000,000 through Northwest Municipal Advisors for the purpose of funding capital improvements to the Stormwater Utility, including the purchase of 56 acres of active floodplain and construction of a bridge and levee. After the initial draw of \$3,000,000, the remaining \$2,000,000 will be available for future draws, and must be completed by December 1, 2021. The interest rate is a fixed rate of 2.87% and has a term of 20 years.

Interfund Loan from the Shop Fund to the Affordable Housing Fund

Resolution 2020-11, adopted April 20, 2020, authorizes an Interfund Loan of \$50,000, for a period not to exceed three years, from the Shop Fund to the Affordable Housing Fund. Governor Inslee issued Proclamation 20-05 and as a result thereof, City of Ellensburg low income residents suffered the economic impacts, particularly unable to pay their rent. The City began to receive HB 1406 funds but was insufficient to meet the need for Ellensburg residents’ rental assistance. The City Council authorized and approved the Interfund Loan for the purpose of providing rental assistance to qualifying renters through Hopesource, as provided in the Professional Services Agreement for Emergency Rental Assistance between the City of Ellensburg and Hopesource.

**City of Ellensburg
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LTGO Bonds, 2010	12/1/2030	1,930,000	-	125,000	1,805,000
251.12	UTGO Bonds, 2014	12/1/2022	660,000	-	150,000	510,000
251.11	LTGO Bonds, 2017	12/1/2037	121,200	7,078,800	-	7,200,000
251.11	LTGO Bonds, 2016, issued for Telecom	12/1/2036	268,218	-	11,643	256,575
Total General Obligation Debt/Liabilities:			2,979,418	7,078,800	286,643	9,771,575
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		1,670,125	-	54,728	1,615,397
264.30	Net Pension Liability		4,989,216	-	1,129,288	3,859,928
252.11	Water/Sewer Bond -2010	12/1/2019	230,000	-	230,000	-
252.11	Water/Sewer Refunding Bonds	12/1/2019	260,000	-	260,000	-
252.11	Water Bond- 2013	12/1/2022	908,018	-	217,560	690,458
252.11	Electric Refunding Bond - 2014	12/1/2025	2,435,000	-	320,000	2,115,000
252.11	Electric Bond - 2014	12/1/2025	4,495,000	-	15,000	4,480,000
252.11	Gas 2016	12/1/2036	787,916	-	36,929	750,987
252.11	Water Sewer Refunding 2016	12/1/2029	6,800,000	-	90,000	6,710,000
264.40	OPEB		-	7,643,736	-	7,643,736
Total Revenue and Other (non G.O.) Debt/Liabilities:			22,575,275	7,643,736	2,353,505	27,865,506
Assessment Debt/Liabilities (with commitments)						
253.43	LID Warrants with Commitments	7/29/2025	89,777	-	17,693	72,084
Total Assessment Debt/Liabilities (with commitments):			89,777	-	17,693	72,084
Total Liabilities:			25,644,470	14,722,536	2,657,841	37,709,165

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	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov