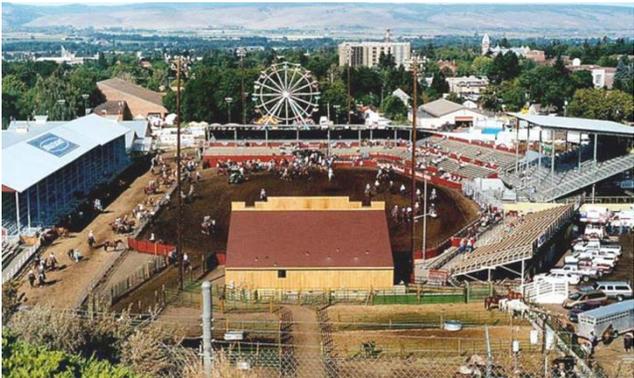
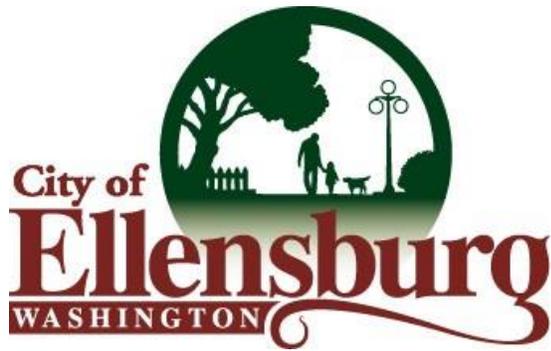


CITY OF ELLENSBURG WASHINGTON



*Comprehensive Annual Financial Report
Fiscal Year Ended December 31, 2013*

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COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

Finance Director
Ade' Ariwoola, MBA, CGFM

Accounting Manager
Kim Snider

For The Fiscal Year Ended
December 31, 2013

Prepared by the Finance Department

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CITY OF ELLENSBURG, WASHINGTON
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended December 31, 2013

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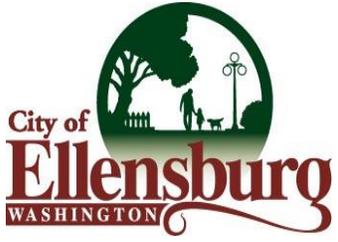
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Introductory Section

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

July 23, 2014

The Honorable Mayor
And the City Council
City of Ellensburg, Washington

I am pleased to present the Comprehensive Annual Financial Report of the City of Ellensburg for the fiscal year ended December 31, 2013. This report is published annually as the official annual financial report of the City of Ellensburg and it complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office in a timely fashion.

As management of the City, we are responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures, based upon a comprehensive frame-work of internal control that we have established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law requires that an annual independent audit to be conducted by the Office of the State Auditor. As a recipient of federal, state, and county financial assistance the City is required to undergo an annual single audit of its financial statement in conformity with the provisions of the Single Audit Act Amendments of 1996, Budget Circular A-133, Audits of State and Local Governments, and the March 2006 Compliance Supplement. This annual single audit is conducted by the State Auditor's Office in conjunction with the City's regular annual independent audit. The Washington State Auditor's Office has issued an unqualified ("clean") opinion on the City of Ellensburg's financial statements for the year ended

December 31, 2013. The independent auditor's report is located at the front of the financial section of this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Ellensburg's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Ellensburg is the largest city in Kittitas County encompassing an area of 6.73 square miles east of Seattle on the Interstate 90 and was incorporated on November 26, 1883. Ellensburg has grown from a population of 14,230 in 1999 to 18,363 in 2013 based on 2013 estimate of United States Census.

Ellensburg is a non-charter code city operating under Section 34A of the Revised Code of Washington State with a Council/City Manager form of government. The Council is composed of seven councilors elected to four-year terms on a non-partisan ballot and are elected at-large. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out the policies. As the City's chief administrator, the City Manager is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City.

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

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

The City prepares an annual budget on the modified accrual basis in accordance with the Revised Code of Washington (RCW) 35A. City's budget is adopted by the City Council prior to the first of the calendar year. The City started biennial budget process in 2012 for the biennial years 2013-2014. A review of the biennial budget

was conducted in November and December 2013 and further review of the 2014 will also take place in 2014 as needed.

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

Local Economy

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

The City of Ellensburg is home to one of the three state regional universities, Central Washington University. The University has a student population of over ten thousand students and employs a work force of over 2,000. More than half of the population in the City of Ellensburg revolves around Central Washington University. With more than 2,000 employees, over 10,000 students, over \$72 million in payroll expenses, and aggressive capital projects for the next four years, the City's economic condition is affected more by the University than any other items. These 10,000

students **and their families fuel the demand on our utility services which in turn supports the utility tax in the General Fund. General Fund provides administrative support services to the utility funds and in turn recovers its cost through administrative charges.**



Government agencies like Kittitas County, City of Ellensburg, Ellensburg School District, Washington State Department of Natural resources, and Kittitas Valley Community Hospital employed more than 1,200 employees in 2011, making this group the second largest employer in the valley. The City has a vibrant school system with a new high school building and Central Washington University supplying the teachers needed in the school system. Government related employments account for more than 41% of the total employment in the county.

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

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

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

The City structure can't be left out of the discussion when talking about the local economy or the economic resilience of the City of Ellensburg. The City of Ellensburg currently has five full service utilities that serve its citizens. The City of Ellensburg was the first city in the state of Washington with its own electric utility. The City has its own Electric, Gas, Water, Sewer and Stormwater utilities. This unique structure allows the City to efficiently share resources without creating too much burden on one utility. For example, the accounting, billing, meter reading, employee recruitment (HR), directorship (City Manager), and legally responsible board (Council) are shared among the five utilities and the other city's programs. This creates efficiency and reduced total cost to each utility and other city programs. This also lessens the pressure on other general government programs to cover the general cost that must be covered. The City reviewed its general cost allocation plan in 2012 and made some modifications in its 2013/2014 Biennial Budget. The activities of the utilities account for about 62% of the combined 2013 original budget of the City of Ellensburg. Charges for services account for about 68% and the tax revenues account for about 19% of the total projected city revenues for 2013. Due to its structure the City does not depend on the sales tax revenue as much as most entities, therefore the City of Ellensburg is less vulnerable to the slump in retail sales. As discussed above the City's major tax revenue is the utility tax. Property tax revenue is also less vulnerable due to the 4-year rotation in assessment.

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

As of April 2014, the unemployment rate in the area was 6.2% compared to 5.6% for the State of Washington. In 2013, Washington state ranked 28 with 7.0% unemployment rate and 7.4% nation-wide.

Long-term Financial Planning and Relevant Financial Policies

The City continued its six-year funding of the Fire Relief and Pension Fund with a portion of its property. We use the Fire Relief and Pension Fund to pay the retirement money, medical costs, and long-term care of former City firefighters and their spouse before the establishment of State LEOFF retirement program.

City's long-term capital needs and potential funding sources were assessed during the budget process and the 2013-2014 Biennial Budget was developed with these issues in mind.

Major Initiatives

The City continues its tradition of significant investments in capital facilities needed to provide **services to our community now and in the future**. Construction projects we worked on in 2013 ranged from completion of Dolarway road project to building an access bridge to the City Shop.



Two successful ongoing community events were featured in 2013, the Ellensburg Rodeo and Jazz in the Valley. The Ellensburg Rodeo is held on Labor Day weekend of every year, to celebrate the cowboy and cattle rearing part of our heritage. The event is celebrated in conjunction with the annual County Fair at the Fair Grounds. Jazz in the Valley is a music extravaganza of a variety of live jazz music, and family in the last weekend of July of every year.

2014 Major Initiatives

- D Street Bridge Project
- 5th Avenue Sidewalk Project
- Chestnut Street Overlay
- Establish a Telecommunication Utility and Fund
- Issue Electric Revenue Bonds to Construct a New Substation
- Design Third Avenue Extension
- Issue Refunding Library Bonds

2013 Major Accomplishments

- Completed drilling of a new well on City-own property adjacent to Stuart School.
- Completed the construction of the well house for the well on Route 10
- Completed the construction of the well house for the well on Hayward Hill.
- Received CAFR award for our 2012 financial Report

Awards

The Government finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Distinguished Budget Presentation Award to the City of Ellensburg for its Biennial budget for the fiscal year beginning January 1, 2013. This was the fourth consecutive year that the City of Ellensburg has received this prestigious award. In order to be awarded a Certificate of Distinguished Budget Presentation Award, a government must satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as (a) a policy document, (b) a financial plan, (c) an operations guide, and (d) a communications device. Budget documents must be rated "proficiency" in all four categories, and the fourteen mandatory criteria within those categories to receive the award.

The Government Finance Officers Association of United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Ellensburg for its Annual Report for the fiscal year ending December 31, 2012. This will be the third consecutive year that the City of Ellensburg has received this prestigious award.

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

Acknowledgements

The preparation of the Comprehensive Annual Financial Report on a timely basis cannot be accomplished without the efforts and dedications of the City staff. I would like to express my appreciation to the staff, including personnel from various departments and agencies who assisted in its preparation. A special note of thanks to Ms. Kim Snider, Accounting Manager who served as the main CAFR coordinator and preparer, and Jerica Pascoe, Budget Officer/Senior Accounting Analyst. Also, I would like to thank the City Council, Prior City Manager Ted Barkley, and current City Manager John Akers for their interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner. The professional assistance of the auditors from the

Washington State auditor's Office is also worth mentioning.

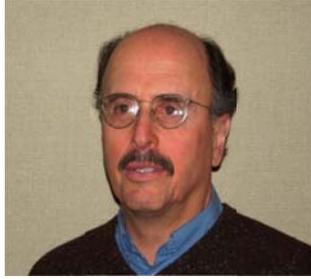
Respectively submitted,



§ Ade' Ariwoola
Finance Director

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CITY COUNCIL



Bruce Tabb, Mayor
Term Expires: December 31, 2015



Jill Scheffer
Term Expires: 12/31/15



Tony Aronica
Term Expires: 12/31/15



Rich Elliott
Term Expires: 12/31/13



Nancy Lillquist
Term Expires: 12/31/13



Mary Morgan
Term Expires: 12/31/13



David Miller
Term Expires: 12/31/15

Administrative Staff



Ted Barkley, City Manager

Attorney

Terry Weiner

Chief of Police

Dale Miller

Director of Community Development

Mike Smith

Director of Energy Services

Larry Dunbar

Director of Finance

Ade' Ariwoola

Director of Human Resources

Cindy Smith

Director of Library

Debby DeSoer

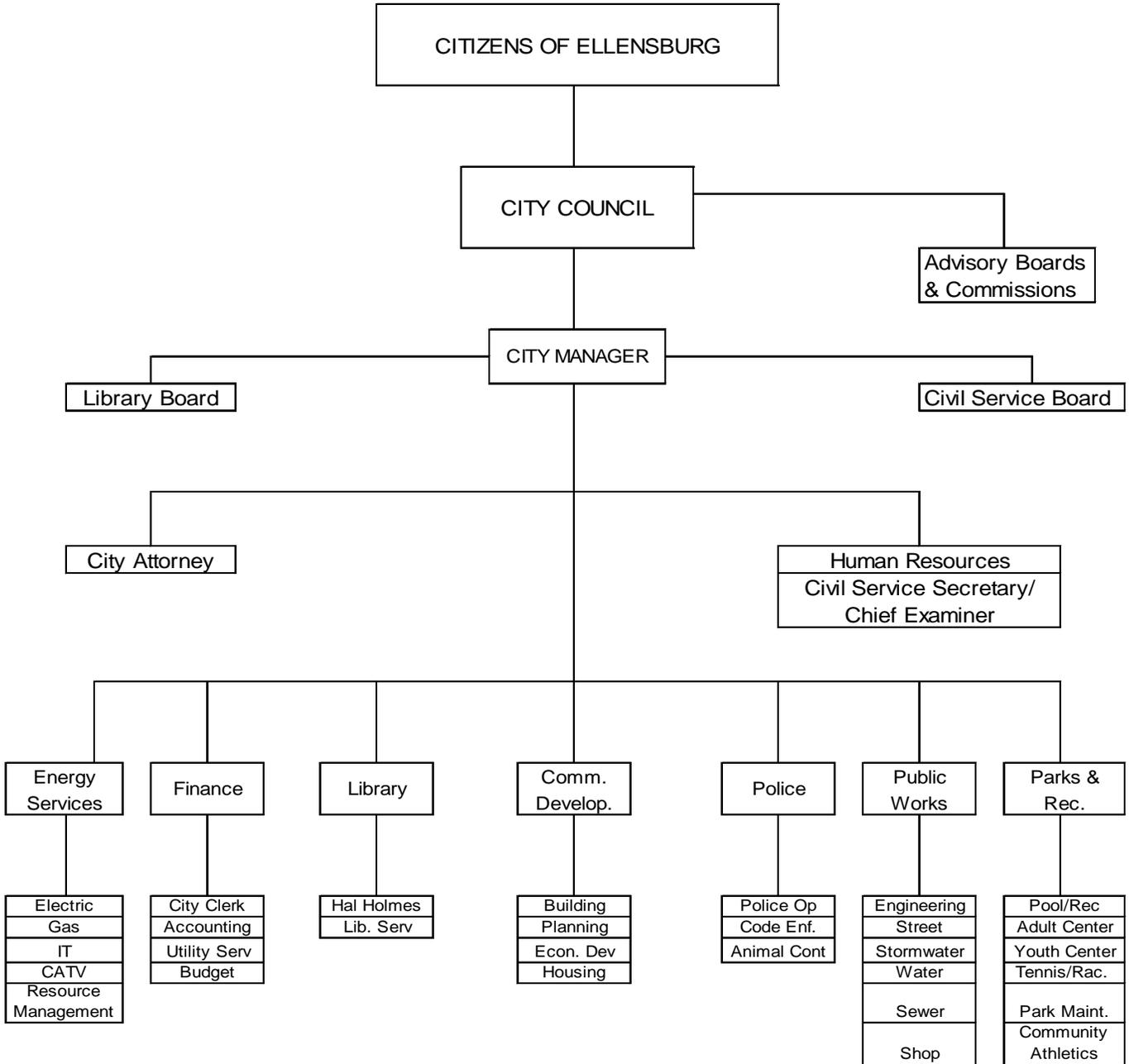
Director of Parks & Recreation

Brad Case

Director of Public Works

John Akers

City of Ellensburg



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Ellensburg
Washington**

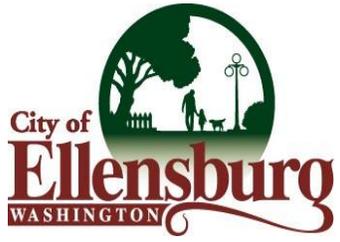
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

A handwritten signature in black ink, appearing to read 'Jeffrey R. Emer', is placed above the title of the signatory.

Executive Director/CEO

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Financial Section

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Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

July 28, 2014

Mayor and City Council
City of Ellensburg
Ellensburg, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ellensburg, Kittitas County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ellensburg, Kittitas County, Washington, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Arterial Street Fund funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 14 and pension trust fund information on pages 89 through 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 91 through 135 is presented for purposes of additional analysis and is not a required part of the basic 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. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

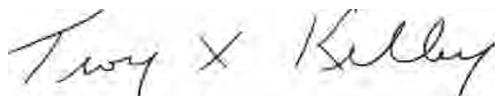
prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section and Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

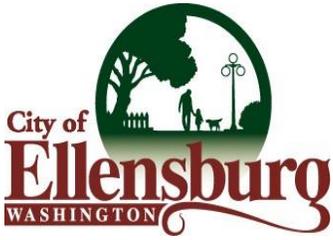
In accordance with *Government Auditing Standards*, we will also issue our report dated July 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Sincerely,

A handwritten signature in cursive script that reads "Troy X Kelley". The signature is written in dark ink on a light background.

TROY KELLEY
STATE AUDITOR

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Management's Discussion & Analysis

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Management's Discussion and Analysis

As management of the City of Ellensburg, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Ellensburg for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages I thru V of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets of the City of Ellensburg exceeded its liabilities at the close of the most recent fiscal year by \$113.64 million (net position). Of this amount, \$21.41 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. In addition, \$4.95 million (restricted net position) is dedicated to specific purposes and \$87.27 million is for net investment in capital assets.
- The government's total net position increased by \$1.48 million. Approximately 15% of this increase is attributable to governmental activities and the remainder to the business-type activities. The increase to the governmental activities is due to the grant receipts for the improvement to University Way and signal upgrades and acquired infrastructures through annexation. The majority of the increase to business type activities is attributable to excess of revenues over the expenses.
- As of the close of the current fiscal year, the City of Ellensburg's governmental funds reported a combined ending fund balances of \$6.04 million, an increase of \$0.99 million over the prior year. The increase is due to utility tax revenue collection as a result of a rate increase in the previous year and from sales tax revenue for the increase activity in new construction.
- The City of Ellensburg enterprise funds reported a combined ending fund balance of \$52.06 million, an increase of \$.85 million. The majority of the increase is due to an increase in utility rate, bond proceeds for the construction of well houses and grant receipts for the construction of a decant facility for the Storm Water utility

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Ellensburg's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ellensburg maintains 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, and Arterial Street Fund which are considered major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Ellensburg adopts an annual appropriated budget for its General Fund and Arterial Street Fund. This report includes a budgetary comparison statement to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 19-27 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Gas, Electric, Water, and Sewer funds, which are considered major funds of the City of Ellensburg. Conversely, Information Technology, ER&R, Health and Benefits and Risk Management funds in the internal service funds are

combined into single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28 – 32 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of the City of Ellensburg employees and parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support City of Ellensburg’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33 – 34 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 – 83 of this report.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* concerning the City of Ellensburg’s progress in funding its obligations to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information (RSI). The schedules can be found right before the combining and individual fund statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of City of Ellensburg, assets exceeded liabilities by \$113.64 million at the close of the 2013 fiscal year. The City’s fiscal condition remains stable and relatively better than last year.

The largest portion of City of Ellensburg’s net position (77%(87.27/113.64)) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment), less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although City of Ellensburg’s investment in its capital assets is reported net of related debt, it should be

noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Ellensburg's Statement of Net Position
December 31, 2013
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 8.99	\$ 7.79	\$ 25.04	\$ 22.90	\$ 34.03	\$ 30.69
Capital assets	52.84	53.79	53.23	52.24	106.07	106.03
Total assets	61.83	61.58	78.27	75.14	140.10	136.72
Deferred outflow of resources						
Deferred charges	-	0.05	0.04	0.16	0.04	0.21
Total deferred charges	-	0.05	0.04	0.16	0.04	0.21
Liabilities						
Other liabilities	1.06	1.14	2.88	2.46	3.94	3.60
Long-term liabilities	6.61	6.54	15.90	14.63	22.51	21.17
Total liabilities	7.67	7.68	18.78	17.09	26.45	24.77
Deferred outflow of resources						
Deferred gain on refunding	-	-	0.05	-	0.05	-
Total deferred gain	-	-	0.05	-	0.05	-
Net position						
Net Investment in capital	49.26	49.99	38.01	38.32	87.27	88.30
Restricted	3.13	2.83	1.81	2.28	4.95	5.12
Unrestricted	1.76	1.13	19.65	17.60	21.41	18.72
Total net position	\$ 54.15	\$ 53.95	\$ 59.48	\$ 58.21	\$ 113.64	\$ 112.16

An additional portion of the City of Ellensburg's net position (\$4.95 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$21.41 million) may be used to meet the government's ongoing obligations to citizens and creditors.

- At the end of the current fiscal year, City of Ellensburg is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. The governmental net position increased by \$.20 million during the current fiscal year. A large portion of this increase is due to acquired infrastructure assets (i.e. streets, sidewalks, land) through both purchase and annexation of City property, and the increase in property taxes, sales use taxes and utility taxes. The government's restricted net assets decreased by 3% (from \$5.12 million to \$4.95 million), and the unrestricted increased by 13% (from \$18.72 million to \$21.41 million). The decrease in the restricted net position is due mainly to the payoff of long-term debt in the governmental funds. The governments net position increased by \$1.48 million during the current fiscal year. The majority of the increase is due to an increase in utility rate, bond proceeds for the construction of well houses and grant receipts for the construction of a decant facility for the Storm Water utility

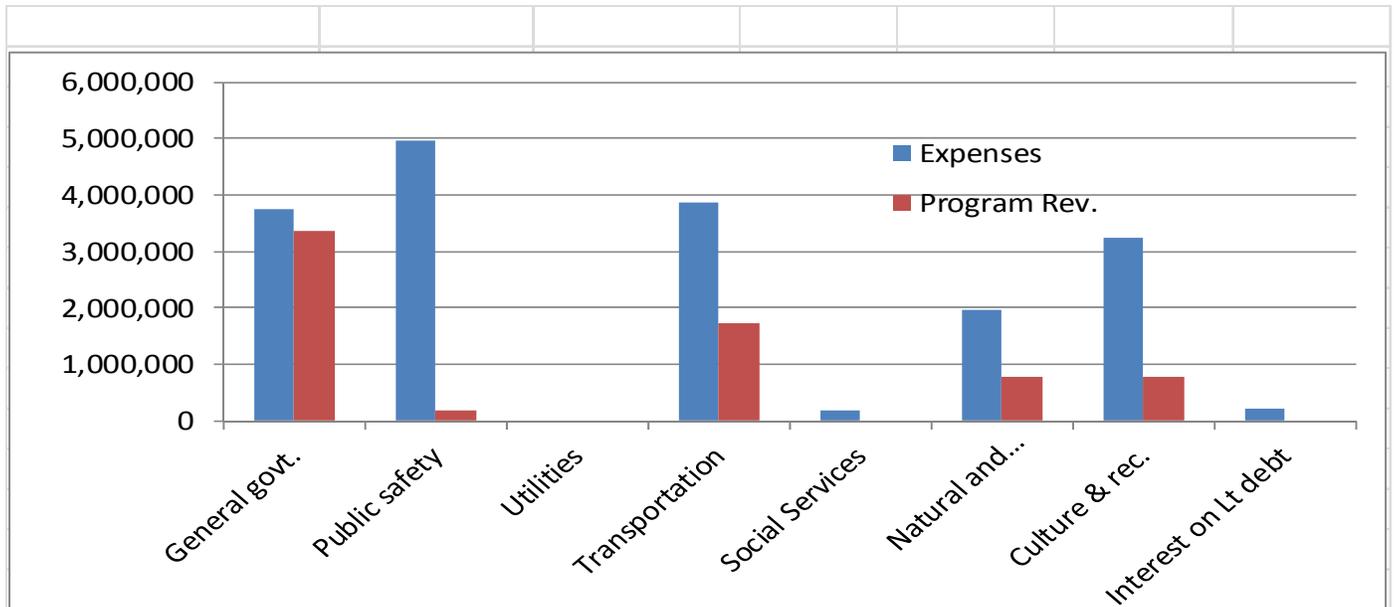
Governmental and Business-type Activities. The governmental activities increased the City of Ellensburg net position by \$.20, thereby accounting for 13 percent of the total growth in the net position for the City of Ellensburg. Key elements of this increase are as Follows:

City of Ellensburg's Statement of Activities						
For the Years Ended December 31, 2013 and 2012						
(In Millions)						
	Governmental Activities		Business-type Activities		Total Primary government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 4.95	\$ 3.95	\$ 29.55	\$ 28.22	\$ 34.50	\$ 32.17
Operating grants & contributions	0.66	1.54	-	0.13	0.66	1.67
Capital grants & contributions	1.21	1.75	1.06	1.16	2.27	2.91
Property taxes	2.73	2.69			2.73	2.69
Retail Sales & Use Tax	4.71	4.55			4.71	4.55
Other taxes	3.45	3.09			3.45	3.09
Investment earning	0.07	(0.03)	0.06	0.03	-	0.00
Other income	0.31	0.82	0.04	0.02	0.35	0.83
Total revenues	18.09	18.36	30.71	29.56	48.67	47.91
Expenses:						
General government	3.75	2.56			3.75	2.56
Public safety	4.96	5.46			4.96	5.46
Utilities	-	1.03			-	1.03
Transportation	3.85	4.11			3.85	4.11
Social Services	0.20	0.01			0.20	0.01
Natural and Economic	1.97	1.22			1.97	1.22
Culture & recreation	3.23	3.24			3.23	3.24
Interest on LT debt	0.20	0.32			0.20	0.32
Utilities			28.63	26.81	28.63	26.81
Others					-	-
Total expenses	18.16	17.95	28.63	26.81	46.79	44.76
Inc(dec) in net assets before transfers	(0.07)	0.41	2.08	2.75	1.88	3.16
Special items - gain (loss)	-	0.77	(0.43)	-	(0.43)	0.77
Transfers	0.28	0.19	(0.28)	(0.19)	-	-
Change in net position	0.21	1.37	1.36	2.56	1.57	3.93
Net position at Beginning	53.95	52.58	58.21	55.16	112.16	107.74
Prior period adjustments			(0.08)	0.48	(0.08)	0.48
Net assets at Year End	\$ 54.15	\$ 53.95	\$ 59.48	\$ 58.21	\$ 113.64	\$ 112.16

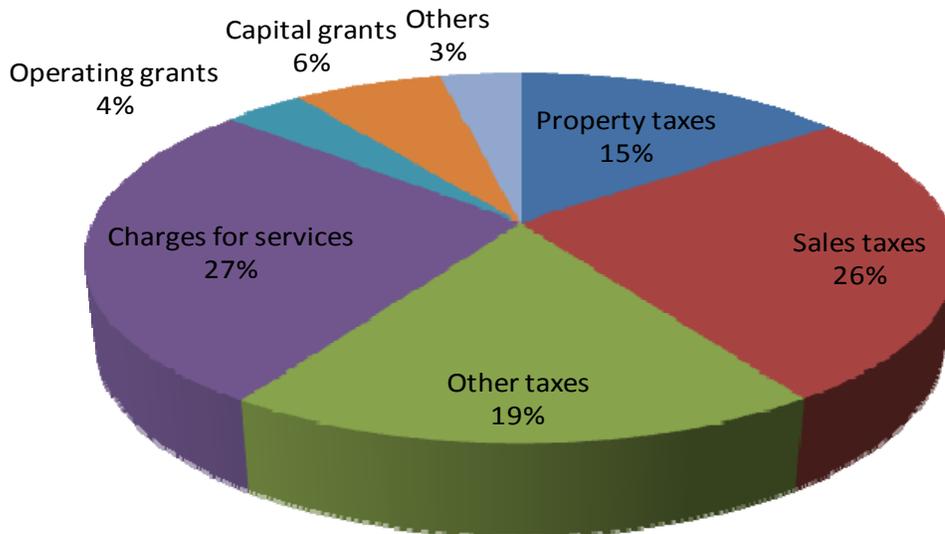
Governmental Activities

- Significant elements of the Change in Net Position for governmental activities from December 31, 2012 to December 31, 2013 is attributed to a utility rate increase resulting in an increase in utility tax revenue and the increase in sales tax revenue for new construction within the city

2013 Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

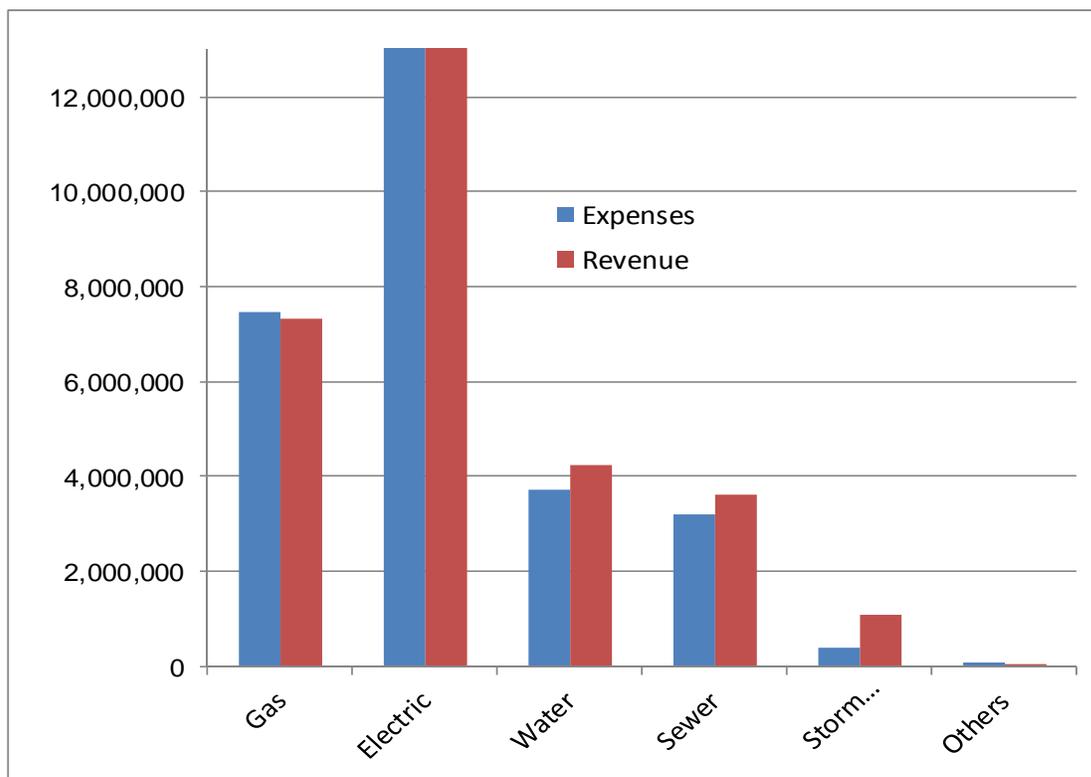


2013 Revenues by source – Governmental Activities

Business-type activities. The business-type activities increased the City of Ellensburg’s net position by \$1.28 million, accounting for 85 percent of the total growth in the government’s net position. Key elements of this increase are as follows:

The increase in charges for services for the gas, electric, water, sewer and stormwater departments contributed approximately \$1.3 million. This increase is due to an increase in utility rates. Also contributing is grant revenue in Stormwater for the construction of a decant facility.

2013 Expenses and Program Revenues – Business-type Activities



Financial Analysis of the Government’s Funds

As noted earlier, the City of Ellensburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Ellensburg governmental funds is to provide information on near-term inflows, outflows and balances of spending resource. Such information is useful in assessing the City of Ellensburg financing requirements. In particular unassigned fund balance may serve as a useful measure of the governments net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Ellensburg governmental funds reported a combined ending fund balances of \$6.04 million (see page #21), an increase of \$.99 million from prior year, of this amount \$.80 million constitutes unassigned fund

balance, which is available for spending at the governments discretion. The remainder of the fund balance is restricted, committed or assigned to indicate it is not available for new spending because it has already been committed or designated to pay for contracts or special programs (\$5.2 million) or to pay debt service (\$0.04 million).

- The General Fund is the chief operating fund of the City of Ellensburg. At the end of the current fiscal year, the General Fund had a fund balance of \$0.96 million, majority of this amount is classified as unassigned funds. The increase in fund balance from the prior year is due to an increase in utility tax revenue (rate increases) and sales tax revenue for new construction within the city. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 5% (795,007/15,625,918) of the total General Fund expenditures. The General fund reported a \$3.75 million interfund loan used to defease GO Bonds and to purchase the Geddis building. The loan is reported on the face of the basic financial statements however the asset is only reported in the Government-wide financial statements.
- Arterial Street fund is a major fund of the governmental funds. Arterial Street fund includes both the 123 (Arterial) fund and the 120 (Street) fund. At the end of the current fiscal year Arterial Street had a fund balance of \$1.60 million, majority of it classified as assigned, \$1.55 million. The assigned amount is to be used for street construction and maintenance. During the current year the City of Ellensburg was involved in major projects with the overlay of University Way (\$.44 million expenditures), signal enhancement (\$.70 million expenditures), and the John Wayne trail (.32 million expenditures) funded by a federal and state grant. The remainder of the expenditures were for street maintenance.

Proprietary funds

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

Restricted net position of the enterprise funds at the end of the year amounted to \$1.82 million including \$1.29 million in debt service and \$0.53 million in construction, unrestricted net position were \$15.09 million, and the total net position for all proprietary funds were \$61.04 million. Of the \$15.09 million of unrestricted net position there is \$11.50 million in cash and cash equivalents.

The Gas fund had an ending fund balance of \$9.05 million in 2013. This is a decrease of \$.23 million from 2012. The majority of the decrease is due to the increase of operating expenditures over revenues.

The Electric Fund had an ending balance of \$16.88 million a decrease of \$.22 million from 2012. Attributing to this decrease is the retirement of capital assets in the amount of \$.47 million.

The Water fund had an ending fund balance of \$12.32 million an increase of .51 million from 2012. This increase is attributed to the excess of revenues over expenditures and the addition of capital assets.

The Sewer fund had an ending fund balance of \$11.91 million and increase of \$0.34 from 2012. The increase is attributed to a utility rate increase resulting in an increase in charges for services.

The restricted for debt service remained the same as last year due to no additional requirement for the issuance of debt. The restricted for construction increase due to the increase in plant investment fees collected in the Water and Sewer funds. The rate stabilization decreased to zero due to the transfer of resources from the stabilization account to cash and cash equivalents account. In 2013 the City determined the rate stabilization funds were no longer needed to stabilize the rate growth. These funds were transferred to unrestricted cash to be used for capital needs in year 2014.

General Fund Budgetary Highlights: Actual General Fund revenues were higher than the final budgeted revenues by \$0.52 million during fiscal year 2013. This increase is due to a higher collection of utility tax and permit revenue. The departments within the General Fund spent \$.59 million less than their final annual budget.

Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

The following are the significant supplemental appropriations during the year.

General Fund	BUDGET			ACTUAL		
	Original	Supplemental	Final	General	Other Funds	Total
Revenues						
Taxes	\$ 5.77	\$ -	\$ 5.77	\$ 5.72	\$ 3.34	\$ 9.05
Licenses & Permits	0.27	\$ (0.00)	0.27	0.67	-	0.67
Intergovernmental Revenues	0.63	\$ (0.26)	0.37	0.42	0.01	0.43
Charges for Goods & Services	3.32	\$ 0.19	3.51	3.55	0.03	3.58
Fines & Penalties	0.08	\$ 0.00	0.08	0.15		0.15
Miscellaneous Revenues	0.21	\$ -	0.21	0.23	0.06	0.29
Other Financing Sources	1.57	\$ -	1.57	1.57	0.42	1.99
Total Revenues	11.86	(0.07)	11.79	12.31	3.85	16.15
Expenditures						
City General	1.29	0.01	1.30	1.01	0.39	1.40
Finance	1.52	-	1.52	1.45	-	1.45
City Manager	0.77	0.03	0.80	0.80	-	0.80
Police	4.12	(0.03)	4.09	3.93	0.01	3.94
Community Development	0.99	(0.01)	0.98	0.92	-	0.92
Engineering	0.83	-	0.83	0.81	-	0.81
Parks & Rec	1.97	-	1.97	2.01	-	2.01
Library	0.96	0.01	0.97	0.94	-	0.94
Other Financing Uses	-	0.18	0.18	0.18	3.17	3.35
Total expenditures	12.46	0.18	12.64	12.05	3.57	15.63
Change to fund balance	\$ (0.61)	\$ (0.25)	\$ (0.86)	\$ 0.25	\$ 0.28	\$ 0.53

The difference between the original budget and final budget calculated to a \$.25 million decrease due to lower operating expenses than what was originally budgeted.

The City of Ellensburg investment in capital assets for its governmental and business type activities as of December 31, 2013 amounts to \$87.27 million (net of accumulated depreciation)(see page 17), This investment in capital assets includes land, building, and systems improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City of Ellensburg net investment in capital assets for the current year was .015 percent for governmental activities and .008 percent for business type activities.

At the end of the fiscal year 2013, the City of Ellensburg's net investment in capital assets for its governmental activities was \$49.26 million (see page 17). Major capital assets events during the current fiscal year included the following:

Change in Capital Assets (millions)

	12/31/2012	Additions	Retirements	12/31/2013
Land	\$ 12.28	\$ 0.086	\$ -	\$ 12.37
Construction in Progress	0.37	0.05	0.31	0.12
Infrastructure	60.47	1.59	-	62.06
Building	12.63	-	-	12.63
Non-building improvements	3.29	0.005	-	3.30
Machinery & Equipment	1.19	0.103	0.10	1.19
Total	90.23	1.84	0.41	91.66
Less Accumulated Depreciation	36.44	2.48	0.10	38.82
Total Capital Assets Net of Depre.	\$ 53.79	\$ (0.64)	\$ 0.31	\$ 52.84

The \$.31million decrease in construction in progress is assets put into service in 2013 and the \$.10 million in machinery and equipment is the retirement of police vehicles.

The \$1.84 addition in infrastructure is from the donation of roads and sidewalks from developers and the signal enhancement assets moved from construction in progress to an active asset.

At the end of the fiscal year 2013, the City of Ellensburg’s net investment in capital assets for its business type activities was \$38.01 million (see page 17). The major capital assets events during the current fiscal year included the following:

Change in Capital Assets (millions)

	12/31/2012	Additions	Reclass	Retirements	12/31/2013
Business Type activities					
Land	\$ 1.06	\$ -			\$ 1.06
Construction in Progress	4.49	0.31	(4.49)	-	0.31
Building	6.89	2.48	1.03	-	10.40
Non-building improvements	65.99	1.19	3.46	(0.54)	70.10
Machinery & Equipment	21.19	0.44		(0.20)	21.43
Total	99.62	4.42	-	(0.74)	103.29
Less Accumulated Depreciation	47.38	2.84	0.08	(0.24)	50.06
Total Capital Assets Net of Depre.	\$ 52.24	\$ 1.58	\$ (0.08)	\$ (0.51)	\$ 53.23

The \$2.48 million in addition to assets is contributed to the construction of two well houses. The \$4.49 million in the re-class column is to move assets from the construction in progress class to assets in service for the water department. The \$.54 million in retirements column is the retirement of the light departments wind towers.

See Note 6B for detail information on Capital Asset

Long-term Debt

At year-end, the City had \$22.51 million in long-term debt.

Outstanding Debt, at Year-End (millions)

Governmental activities	2012	Addition	Deletion	2013
Bond Payable	\$ 4.03	\$ -	\$ 0.21	\$ 3.82
Less Deferred Amount	\$ 0.09	\$ -	\$ 0.02	\$ 0.07
Comp	0.52	0.03	-	0.55
OPEB Liability	1.91	0.26	-	2.16
Total	\$ 6.53	\$ 0.29	\$ 0.21	\$ 6.61
Enterprise activities:				
Bond Payable	\$ 13.58	\$ 2.10	\$ 0.78	\$ 14.90
Less Deferred Amount	\$ 0.59	\$ 0.04	\$ 0.10	\$ 0.53
Comp	0.46	0.03	0.02	0.47
Total	14.63	2.18	0.91	15.90
Total Long Term Debt	\$ 21.16	\$ 2.46	\$ 1.12	\$ 22.51

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

In January 2013 the City received \$2.1 million bond proceeds for the construction of two well houses and the installation of pumps, motors, and electronic control systems.

The State law limits the amount of general obligation debt the City can issue without the vote of the people to 1.5% of the total assessed value. As of the end of the fiscal year, the City has \$15.88 million remaining in debt capacity (non-voted). More detail information on capital assets and long-term debt are provided in the notes to the financial statements (Notes 9).

The City also has two outstanding interfund loans in the total amount of \$3.75 million. One loan is from the Electric department to General fund in the amount of \$2.35 million to pay off the 2001 & 2002 G.O. bonds and an interfund loan from the ER &R fund to the General fund in the amount of \$1.2 million to purchase the Geddis building and \$.2 million for updates to the Geddis building located downtown Ellensburg for a total of \$1.4 million. These loans are not part of the longterm debt, they are reported under interfund loans payable.

Economic Factors and Next Year's Budgets and Rate

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

Contacting the City's Finance Department

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

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

Finance Department

City of Ellensburg

501 N Anderson Street

Ellensburg, Washington 98926

or visit the City web site at www.ci.ellensburg.wa.us

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