Basic Financial Statements

CITY OF ELLENSBURG, WASHINGTON

Statement of Net Position
December 31, 2015

	Governmental Activities	Business-type Activities	Primary Government Total
ASSETS			
Cash and cash equivalents	$ 9,040,493	$ 14,864,578	$ 23,905,071
Deposits with fiscal agents	588,341	-	588,341
Investments	2,187,042	3,653,327	5,840,369
Receivables(net)			
Property taxes	198,811	-	198,811
Accounts	338,908	4,488,045	4,826,953
Internal balances	(1,427,452)	1,420,275	(7,178)
Due from other governments	633,284	87,148	720,432
Inventories	40,844	1,858,220	1,899,065
Restricted assets:			
Cash and cash equivalents	-	3,853,075	3,853,075
Deposits with fiscal agents	-	508,876	508,876
Net pension asset	1,346,795	-	1,346,795
Capital assets, not being depreciated			
Land	12,814,618	1,149,114	13,963,732
Construction in progress	188,056	5,215,119	5,403,175
Capital assets, net (see note 6)			
Infrastructure	29,790,249	-	29,790,249
Buildings	5,691,301	5,993,437	11,684,738
Improvements & other buildings	1,648,837	37,829,555	39,478,392
Machinery & equipment	280,734	7,554,305	7,835,038
Total Assets	63,360,860	88,475,073	151,835,933
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources pension	610,880	293,010	903,890
Total Deferred Outflows of Resources	610,880	293,010	903,890
LIABILITIES			
Accounts payable and accrued expenses	735,801	3,046,556	3,782,357
Other liabilities	123,447	662,027	785,474
Non current liabilities (Note 8):			
Due within one year	654,096	1,203,288	1,857,384
Due in more than one year	6,283,796	17,769,239	24,053,035
Net pension liability	4,246,946	2,416,810	6,663,756
Total Liabilities	12,044,085	25,097,920	37,142,006
DEFERRED INFLOW OF RESOURCES			
Deferred gain on refunding	-	57,694	57,694
Deferred inflows of resources: pension	1,002,760	429,797	1,432,556
Total Deferred Inflows of Resources	1,002,760	487,491	1,490,251
NET POSITION			
Net investment in capital assets	47,078,164	39,948,326	87,026,490
Restricted:			
Capital projects	678,989	-	678,989
Construction	-	693,339	693,339
Debt service	54,082	1,398,220	1,452,302
Transportation	1,100,673	-	1,100,673
Public Safety	490,774	-	490,774
Natural and Economic	470,014	-	470,014
Culture and Recreation	1,130,041	-	1,130,041
Unrestricted	(77,842)	21,142,789	21,064,947
Total Net Position	$ 50,924,894	$ 63,182,674	$ 114,107,569

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

CITY OF ELLENSBURG, WASHINGTON

Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total
Primary Government:							
Governmental Activities							
General government	$ 4,504,020	$ 3,141,898	$ 351,463	$ 412,320	$ (598,339)	$ -	$ (598,339)
Public safety	4,585,712	182,712	281,051	-	(4,121,949)	-	(4,121,949)
Transportation	4,350,421	265,052	-	1,689,121	(2,396,248)	-	(2,396,248)
Social Services	205,256	51,865	3,337	-	(150,055)	-	(150,055)
Natural and Economic	1,765,916	369,134	62,907	-	(1,333,875)	-	(1,333,875)
Culture & recreation	3,492,768	603,455	155,855		(2,733,458)	-	(2,733,458)
Interest on long-term debt	147,987	-	-	-	(147,987)	-	(147,987)
Total governmental Activities	19,052,080	4,614,116	854,613	2,101,441	(11,481,911)	0	(11,481,911)
Business-type Activities							
Telecommunications	270,221	365,308	-		-	95,087	95,087
Stormwater	508,475	940,027	112,062	-	-	543,614	543,614
Gas	6,626,001	6,818,519	-	-	-	192,519	192,519
Light	13,819,412	15,333,042	-		-	1,513,631	1,513,631
Water	3,666,380	4,499,484		418,724	-	1,251,828	1,251,828
Sewer	3,358,061	3,706,183		206,917	-	555,039	555,039
Total business-type activities	28,248,550	31,662,563	112,062	625,641	-	4,151,717	4,151,717
Total Primary Government	$ 47,300,630	$ 36,276,679	$ 966,675	$ 2,727,082	(11,481,911)	4,151,717	(7,330,195)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					2,706,323	-	2,706,323
Property taxes, levied for debt service					150,748	-	150,748
Sales & use taxes					5,234,221	-	5,234,221
Other taxes					3,274,807	-	3,274,807
Investment earnings					31,127	60,089	91,216
Miscellaneous					344,826	51,998	396,824
Disposition of capital assets(gain)					(59,411)	(515)	(59,926)
Transfers					120,000	(120,000)	-
Total general revenues and transfers					11,802,642	(8,428)	11,794,214
Change in net position					320,730	4,143,289	4,464,019
Net position - beginning					54,524,490	61,742,129	116,266,619
Cumulative effect of a change in accounting principle					(3,920,326)	(2,702,740)	(6,623,066)
Beginning net position as restated					50,604,164	59,039,389	109,643,553
Prior period adjustments					-	-	-
Net position - ending					$ 50,924,894	$ 63,182,678	$ 114,107,572

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

FUND FINANCIAL STATEMENTS

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

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

MAJOR GOVERNMENTAL FUNDS

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

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

MAJOR ENTERPRISE FUNDS

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

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

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

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

City of Ellensburg, Washington

Balance Sheet
Governmental Funds
December 31, 2015

	General Fund*	Arterial Street**	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	$3,281,307	$1,572,693	$3,138,180	$7,992,180
Deposits with other agents	112,344	-	400,359	512,703
Investments	1,190,576	479,786	516,680	2,187,042
Receivables (net)				
Property Taxes	190,259	-	8,553	198,811
Accounts	182,857	10,647	145,404	338,908
Due from other funds	806	9,399	3,821	14,026
Due from other governments	491,693	39,192	102,399	633,284
Inventory	-	40,844	-	40,844
Total Assets	5,449,842	2,152,562	4,315,394	11,917,799
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
Total Assets and Deferred Outflows of Resources	5,449,842	2,152,562	4,315,394	11,917,799
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Accounts payable	372,987	147,158	165,624	685,768
Due to other funds	3,007	39,689	4,133	46,829
Due to other governments	-	-	-	-
Other liabilities	112,434	-	-	112,434
Interfund Loan	1,834,657	-	-	1,834,657
Total Liabilities	2,323,084	186,847	169,757	2,679,688
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	162,615	-	5,557	168,173
Total Deferred Inflows of Resources	162,615	-	5,557	168,173
FUND BALANCE				
Nonspendable	-	40,844	-	40,844
Restricted	-	-	3,883,728	3,883,728
Committed	-	-	122,987	122,987
Assigned	95,289	1,924,871	133,366	2,153,526
Unassigned	2,868,853	-	-	2,868,853
Total Fund Balance	2,964,143	1,965,716	4,140,080	9,069,938
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,449,842	$ 2,152,562	$ 4,315,395	$ 11,917,799

* General Fund includes Funds 001 (General Fund), 127 (Ellensburg Public Transit) 140 (Sales Tax) 159(Police Vehicles), 175(Geddis) and 198(Special Projects)

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

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

CITY OF ELLENSBURG
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
For the Year End December 31, 2015

The governmental funds balance sheet includes a reconciliation between fund balance in governmental funds and net position-governmental activities as reported in the government-wide statement of net position.		
Fund balance of governmental funds- Page 21		$9,069,938
The Internal Service Health and Benefit Fund ($1,073,917) is used to charge the cost of health benefits. The assets and liabilities of this fund is included in the government activities column on the government wide statement of net position. Less $7,178 Internal Fund allocated to other Internal Service Funds.		1,066,740
Liabilities that are not due and payable in the current period are therefore not reported in the governmental funds balance sheet but are reported on the government wide statement of net position Page 17		
Bonds Payable (Page 87)	3,345,000	
OPEB Liability	2,907,495	
Compensated Absences	545,099	
Bond Issuance Premium	140,298	
Accrued Interest on Bonds	11,013	
Net adjustment to reduce fund balance - Total of Governmental Funds to Net Position of Governmental Funds		(6,948,905)
The reporting of net investment in capital assets for governmental activities are not financial resources and therefore are not reported in the funds. The detail of this $50,413,794 difference is as follows: (page 17)		
Land	12,814,618	
Infrastructure	29,790,249	
Building	5,691,301	
Improvements	1,648,837	
Machinery & Equipment	280,734	
Construction in Progress	188,056	
Net Adjustment to increase fund balance-total governmental funds to net position governmental funds		50,413,794
Other longterm assets are not available to be collected in current period revenues and therefore are deferred in the funds (deferred property tax $168,173 (p. 21)		168,173
The net pension asset is not an available resource and therefore is not reported in the funds (pension liability) (p.17)		1,346,795
Internal Service funds are used by management to charge the cost of ER&R, Management Information Systems(IT), Health Benefits and Risk Management to individual funds. The asset and liabilities of the internal service funds of ER&R,IT, and Risk Management are included in the governmental activities in the statement of net position. From 2010 - 2014, the net profit for internal service funds were allocated out to different activities based on the percentage of support (page 49). In 2015, the City made a change in accounting method to follow BARS 4.3.6.20 to report Health fund solely as a governmental activity.		447,185
GASB 68 adjustments		
Contributions to the pension plan in the current fiscal year are deferred outflows of resources	610,880	
Pension Liability	(4,246,946)	
Pension related deferrals are inflows of resources	(1,002,760)	
Net Adjustment to decrease fund balance-total governmental funds to net position governmental funds.		(4,638,826)
Net Position of Governmental Activities (page 17)		$50,924,894

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

City of Ellensburg, Washington

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2015

	General Fund*	Arterial Street**	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	$ 2,745,731	$ -	$ 153,449	$ 2,899,180
Retail sales & use taxes	4,309,668	-	1,276,017	5,585,684
Other taxes	2,952,821	-	321,986	3,274,807
Licenses and permits	421,227	4,116	-	425,343
Intergovernmental	398,874	1,949,556	130,194	2,478,624
Charges for services	3,645,131	78,809	172,041	3,895,981
Fines & forfeits	286,772	-	5,026	291,799
Investment earnings	22,986	7,074	(1,362)	28,697
Miscellaneous	221,661	35,584	17,864	275,109
Total Revenues	15,004,871	2,075,139	2,075,215	19,155,225
EXPENDITURES:				
Current:				
General Government	3,726,382	40,551	-	3,766,934
Public Safety	4,054,343	-	693,684	4,748,027
Utilities	-	-	-	-
Transportation	212,310	2,098,739	107,540	2,418,589
Social Services	205,256	-	-	205,256
Natural and Economic	1,189,958	-	612,498	1,802,455
Culture & Recreation	3,170,514	-	4,285	3,174,799
Debt service		-		
Principal	-	-	225,000	225,000
Interest and other charges	24,497	-	138,408	162,905
Capital outlay	142,694	1,834,811	131,637	2,109,141
Total Expenditures	12,725,954	3,974,101	1,913,051	18,613,106
Excess (Deficiency) of Revenues Over Expenditures	2,278,917	(1,898,962)	162,164	542,119
OTHER FINANCING SOURCES (USES):				
Refunding bond proceeds	-	-	-	-
Bond premiums	-	-	-	-
Insurance recovery	-	-	-	-
Disposition of capital assets	1,135,033	-	-	1,135,033
Transfers in	21,000	1,514,674	213,953	1,749,627
Transfers out	(1,567,168)	-	(62,459)	(1,629,627)
Other adjustments	-	-	-	-
Total other financing sources & uses	(411,135)	1,514,674	151,494	1,255,033
Net change in fund balance	1,867,782	(384,287)	313,658	1,797,152
Fund Balances-Beginning****	1,096,361	2,350,003	3,826,423	7,272,787
Prior Period Adjustments			-	-
Fund Balances-Ending	$ 2,964,143	$ 1,965,716	$ 4,140,080	$ 9,069,938

* General Fund includes Funds 001 (General Fund), 127 (Ellensburg Public Transit) 140 (Sales Tax) 159(Police Vehicles), 175(Geddis) and 198(Special Projects).

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

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

CITY OF ELLENSBURG
Reconciliation of the Statement of Revenues, Expenditures
Statement of Activities
For the Year End December 31, 2015

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

Net Change in fund balance-total governmental funds (page 23)			$1,797,152
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense			
Capital Outlay		2,109,141	
Depreciation Expense		(2,621,876)	
			(512,735)
The net effect of various miscellaneous transactions involving capital assets i.e. sales (-$1,194,444.14), trade ins, and donations ($126,959.06) is to increase net position. The following is from donated assets.			(1,067,485)
Issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The following details the net change in long-term debt as reflected in government-wide reporting			
Debt Issued or Incurred			
OPEB Liability		(755,451)	
Pension Liability- net position asset		-	
Compensated Balance		(6,957)	
Other Finance Sources, Uses, and expenditures resulting from debt issuance			
Bond Payments (Includes Refunded Amounts)	225,000		
Amortization of premiums	14,452		
Accrued Interest	467		
Debt Related Cost		239,918	
Net effect of Long-term Debt			(522,490)
Revenues in the statement of activities that do not provide current financial resources are not recorded as revenues in the fund statements (current year deferred property tax).			(42,108)
GASB 68 Pension Expenses			430,647
State of Washington GASB 68 Pension Contributions			69,717
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue is reported with the governmental activities. The net profit for internal service funds were allocated out to different activities based on the percentage of support.			168,033
Change in net position of governmental activities (page 18)			$320,730

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

City of Ellensburg, Washington

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budget- General Fund				
	Original	Final	Actual	*Other Funds	Total
REVENUES:					
Property taxes	$ 2,750,856	$ 2,750,856	$ 2,745,731	$ -	$ 2,745,731
Retail sales & use taxes	325,824	$ 325,824	351,463	3,958,205	4,309,668
Other taxes	3,146,608	3,146,608	2,952,821	-	2,952,821
Licenses and permits	558,250	558,250	421,227	-	421,227
Intergovernmental	269,550	296,070	398,874	-	398,874
Charges for services	3,791,084	3,793,533	3,565,754	79,377	3,645,131
Fines & forfeits	287,800	287,800	286,772	-	286,772
Investment earnings	13,000	13,000	17,659	5,327	22,986
Miscellaneous	201,607	196,058	195,393	26,269	221,661
Total Revenues	11,344,579	11,367,999	10,935,694	4,069,178	15,004,871
EXPENDITURES:					
Current:					
General Government					
City General	524,209	544,832	519,184	21,274	540,459
Finance	1,610,739	1,610,739	1,464,599	-	1,464,599
Managers	876,888	876,888	833,577	-	833,577
Engineering	911,738	911,738	887,747	-	887,747
Total General Government	3,923,574	3,944,197	3,705,108	21,274	3,726,382
Security of Person and Property					
City General	204,582	213,502	220,265	-	220,265
Police	4,232,274	4,232,274	3,834,078	-	3,834,078
Community Development	-	-	-	-	-
Total Security of Person and Property	4,436,856	4,445,776	4,054,343	-	4,054,343
Utilities					
City General	-	-	-	-	-
Police	-	-	-	-	-
Community Development	-	-	-	-	-
Engineering	-	-	-	-	-
Total Utilities	-	-	-	-	-
Transportation					
City General	116,103	116,103	111,301	101,009	212,310
Total Transportation	116,103	116,103	111,301	101,009	212,310
Natural and Economic					
City General	130,537	130,537	129,037	-	129,037
Police	231,525	231,525	210,429	-	210,429
Community Development	924,325	924,325	850,491	-	850,491
Total Natural and Economic	1,286,387	1,286,387	1,189,958	-	1,189,958
Social Services					
City General	41,072	41,072	37,883	-	37,883
Parks and Recreation	153,928	153,928	167,373	-	167,373
Total Social Services	195,000	195,000	205,256	-	205,256
Culture & recreation					
City General	79,650	85,376	71,589	-	71,589
Parks and Recreation	2,083,123	2,109,554	2,036,879	-	2,036,879
Library	1,060,501	1,157,487	1,062,046	-	1,062,046
Total Culture and Recreation	3,223,274	3,352,417	3,170,514	-	3,170,514

Continued on next page

Debt Service					
City General	1,699,997	1,699,997	24,497	-	24,497
Total Debt Service	1,699,997	1,699,997	24,497	-	24,497
Capital outlay					
General		0	54,000	88,695	142,694
Total Expenditures	14,881,191	15,039,877	12,514,977	210,978	12,725,954
Excess (Deficiency) of Revenues Over Expenditures	(3,536,612)	(3,671,878)	(1,579,283)	3,858,200	2,278,917
OTHER FINANCING SOURCES (USES):					
Insurance recoveries	-	-	-	-	-
Disposition of capital assets	1,400,000	1,135,032	1,135,033	-	1,135,033
Transfers in	1,859,243	1,880,243	21,000	-	21,000
Transfers out	-	-	-	-	-
City General	-	-	-	(1,567,168)	(1,567,168)
Total other financing sources & uses	3,259,243	3,015,275	1,156,033	(1,567,168)	(411,135)
Net change in fund balance	(277,369)	(656,603)	(423,250)	2,291,032	1,867,782
Fund Balance-Beginning	3,006,702	3,011,702	(229,344)	1,325,705	1,096,361
Prior Period Adjustment					
Fund Balances-Ending	$ 2,729,333	$ 2,355,099	$ (652,594)	$ 3,616,736	$ 2,964,143

* Other Funds include 127 (Ellensburg Public Transit) 140 (Sales Tax) 159(Police Vehicles),175(Geddis) and 198(Special Projects) see workpaper page 128-132 for detail of budget for these funds

*³ Transfers In and Out are reported as adopted by council on the budget to actual statement and netted together on the operating statement.

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

City of Ellensburg, Washington

Arterial Street Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budget				
	Original	Final	Actual	*Other Funds	Total
REVENUES:					
Property taxes	$ -	$ -	$ -	$ -	$ -
Retail sales & use taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	4,000	4,000	4,116	-	4,116
Intergovernmental	2,482,530	2,787,030	1,676,048	273,508	1,949,556
Charges for services	-	-	16,905	61,903	78,809
Fines & forfeits	-	-	-	-	-
Investment earnings	500	500	5,393	1,681	7,074
Miscellaneous	-	-	32,022	3,562	35,584
Total Revenues	2,487,030	2,791,530	1,734,486	340,653	2,075,139
EXPENDITURES:					
Current:					
General Government	-	-	-	40,551	40,551
Judicial Services	-	-	-	-	-
Public Safety	-	-	-	-	-
Utilities	-	-	-	-	-
Transportation	-	21,346	558,607	1,540,131	2,098,739
Social Services	-	-	-	-	-
Natural and Economic	-	-	-	-	-
Culture & Recreation	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	4,440,215	4,872,689	1,834,811	-	1,834,811
Total Expenditures	4,440,215	4,894,035	2,393,418	1,580,683	3,974,101
Excess (Deficiency) of Revenues Over Expenditures	(1,953,185)	(2,102,505)	(658,932)	(1,240,029)	(1,898,962)
OTHER FINANCING SOURCES (USES):					
Bond issue proceeds	-	-	-	-	-
Bond premiums	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-
Disposition of capital assets	-	-	-	-	-
Transfers in	1,098,215	1,098,215	194,674	1,320,000	1,514,674
Transfers out	-	-	-	-	-
Other adjustments	-	-	-	-	-
Total Other Financing Sources & Uses	1,098,215	1,098,215	194,674	1,320,000	1,514,674
Net Change in Fund Balance	(854,970)	(1,004,290)	(464,258)	79,971	(384,287)
Fund Balances-Beginning	1,287,742	1,470,239	1,470,239	879,764	2,350,003
Prior Period Adjustments	-	-	-		
Fund Balances-Ending	$ 432,772	$ 465,949	$ 1,005,981	$ 959,735	$ 1,965,716

* Other funds includes Fund 120 (Street), see page 127 for budget details

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

CITY OF ELLENSBURG, WASHINGTON

Statement of Fund Net Position
Proprietary Funds
December 31, 2015

	Enterprise Funds						
	Major				Non-Major		
ASSETS	Gas	Electric	Water	Sewer	Funds	Total	Internal Services Funds
Current assets:							
Cash and cash equivalents	$ 1,369,499	$ 3,935,962	$ 1,527,488	$ 1,996,985	$ 925,463	$ 9,755,398	$ 6,157,493
Deposits with fiscal agents	-	-	-	-	-	-	75,637
Investments	340,185	-	1,259,284	1,000,330	200,000	2,799,799	853,528
Receivables(net)						-	
Special assessments	-	-	-	-	-	-	-
Accounts	1,424,424	2,153,757	388,231	409,388	112,245	4,488,045	-
Due from other funds	-	9,425	23,055	4,513	-	36,993	10,669
Due from other governments	-	613	280	2,000	79,003	81,896	5,252
Interfund loan receivable	-	1,834,657	-	-	-	1,834,657	283,943
Inventories	589,229	990,828	186,514	18,924	-	1,785,495	72,726
Restricted assets:							
Cash and cash equivalents	-	2,874,918	472,042	506,115	-	3,853,075	-
Deposits with fiscal agents	-	-	-	-	-	-	-
Investments	-	-	508,876	-	-	508,876	-
Total current assets	3,723,337	11,800,160	4,365,771	3,938,254	1,316,712	25,144,234	7,459,248
Noncurrent assets:							
Capital assets, net							
Land	124,208	522,268	29,623	32,290	-	708,389	440,725
Buildings	525,940	208,979	3,243,731	4,730,235	458,451	9,167,337	1,340,345
Improvements	12,659,574	20,220,380	19,557,123	15,384,007	2,421,774	70,242,857	265,595
Machinery & equipments	612,087	7,687,645	2,583,637	3,096,485	214,086	14,193,940	6,193,689
Construction In progress	-	3,504,232	1,355,512	147,162	163,840	5,170,746	44,373
Less accumulated depreciation	(7,909,263)	(15,086,578)	(10,408,439)	(10,688,855)	(279,212)	(44,372,346)	(5,654,121)
Unamortized bond insurance premium	-	16,713	-	-	-	16,713	-
Total noncurrent assets	6,012,545	17,073,639	16,361,188	12,701,324	2,978,940	55,127,635	2,630,607
Total Assets	9,735,882	28,873,799	20,726,959	16,639,578	4,295,652	80,271,869	10,089,855
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows of resources pension	62,088	116,078	29,694	45,891	16,197	269,950	23,060
Total Deferred Outflows of Resources	62,088	116,078	29,694	45,891	16,197	269,950	23,060

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LIABILITIES							
Current liabilities:							
Accounts payable and accrued expenses	590,888	2,037,287	159,679	97,265	25,365	2,910,486	186,103
Due to other funds	3,913	4,638	537	5,674	19	14,782	78
Due to other governments	-	-	-	-	-	-	-
Interfund loan payable	-	-	-	-	283,943	283,943	-
Other liabilities	-	24,060	20,122	13,262	604,582	662,027	-
Due within one year	64,221	407,665	518,049	169,409	15,527	1,174,870	28,418
Total current liabilities	659,023	2,473,650	698,388	285,611	929,436	5,046,108	214,599
Non current liabilities:							
Due in more than one year	71,369	8,198,024	5,784,951	3,663,103	8,270	17,725,717	60,235
Net pension liability	528,058	987,239	252,549	390,304	137,754	2,295,904	120,907
Total noncurrent liabilities	599,427	9,185,263	6,037,500	4,053,406	146,024	20,021,621	181,141
Total Liabilities	1,258,450	11,658,913	6,735,888	4,339,017	1,075,460	25,067,728	395,740
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-
Deferred gain on refunding	-	24,958	27,171	5,565	-	57,694	-
Deferred pension inflows	90,312	168,844	43,193	66,752	23,560	392,662	37,135
Total Deferred Inflows of Resources	90,312	193,803	70,364	72,318	23,560	450,356	37,135
NET POSITION							
Net investment in capital assets	6,012,545	8,924,033	10,311,768	9,090,434	2,978,940	37,317,719	2,630,607
Restricted:							
Debt service	-	604,525	508,876	284,818	-	1,398,220	-
Rate stabilization	-	-	-	-	-	-	-
Construction	-	-	472,042	221,296	-	693,339	-
Unrestricted	2,436,663	7,608,603	2,657,715	2,677,586	233,889	15,614,457	7,049,433
Total Net Position	$ 8,449,208	$ 17,137,161	$ 13,950,402	$ 12,274,135	$ 3,212,829	55,023,735	$ 9,680,040

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	8,158,937
Net position of business-type activities	$ 63,182,672

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

CITY OF ELLENSBURG, WASHINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Enterprise Funds						
	Major Funds				Non-Major		
	Gas	Electric	Water	Sewer	Funds	Total	Internal Service Funds
Operating revenues:							
Charges for services	$ 6,802,536	$ 15,299,937	$ 4,482,352	$ 3,694,278	$ 1,304,589	$ 31,583,693	$ 2,099,090
Miscellaneous	15,983	33,105	17,132	11,904	746	78,870	3,426,839
Total operating revenues	6,818,519	15,333,042	4,499,484	3,706,183	1,305,335	31,662,563	5,525,929
Operating expenses:							
Operating expenses	5,180,898	10,600,769	1,927,087	1,550,480	611,276	19,870,510	3,626,075
Maintenance	533,049	1,344,280	385,050	877,078	95,665	3,235,122	497,941
Depreciation	455,010	744,116	589,790	492,125	144,814	2,425,854	378,090
Taxes	628,749	1,351,088	665,563	431,629	13,811	3,090,839	-
Total operating expenses	6,797,705	14,040,253	3,567,489	3,351,312	865,565	28,622,325	4,502,106
Operating income	20,814	1,292,789	931,995	354,871	439,769	3,040,238	1,023,823
Nonoperating revenue (expenses)							
Intergovernmental revenues	-	-	-	-	112,062	112,062	-
Interest and investment revenue	4,754	32,351	13,311	6,628	3,044	60,089	16,868
Miscellaneous revenue	-	-	-	-	-	-	26,618
Interest expense	-	(90,742)	(223,010)	(151,050)	(2,839)	(467,642)	-
Miscellaneous expense	-	(373)	(273)	(56)	-	(702)	-
Gain/Loss on Assets	(515)	-	-	-	-	(515)	2,019
Total nonoperating revenue (expenses)	4,240	(58,764)	(209,972)	(144,478)	112,267	(296,707)	45,505
Income (loss) before contributions & transfers	25,054	1,234,025	722,023	210,393	552,036	2,743,531	1,069,328
Capital contributions	-	-	418,724	206,917	-	625,641	-
Transfers in	-	-	-	-	-	-	49,079
Transfers out	(6,552)	(42,527)	-	-	(120,000)	(169,079)	-
Change in net position	18,502	1,191,499	1,140,747	417,310	432,036	3,200,093	1,118,406
Total net position - beginning	9,020,292	17,047,930	13,091,631	12,292,606	2,934,598		8,700,959
Cumulative effect of a change in accounting principle	(589,585.14)	(1,102,267.87)	(281,975.50)	(435,780.32)	(153,804.82)		(139,326)
Beginning net position as restated	8,430,706	15,945,663	12,809,655	11,856,826	2,780,793		8,561,633
Prior period adjustments	-	-	-	-	-		-
Total net position - ending	$ 8,449,208	$ 17,137,161	$ 13,950,402	$ 12,274,136	$ 3,212,829		$ 9,680,039

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	943,196
Change in net position of business-type activities (page 18)	$ 4,143,289

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

CITY OF ELLENSBURG, WASHINGTON

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Enterprise Funds						
	Major				Non Major		
	Gas	Electric	Water	Sewer	Funds	Total	Internal service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	$ 6,604,622	$ 14,658,108	$ 4,370,070	$ 3,594,044	$ 1,183,606	$ 30,410,451	$ 87,742
Receipts for interfund services provided	9,828	363,201	8,439	13,686	18,753	413,907	5,499,015
Payments to suppliers	(4,016,458)	(9,406,892)	(1,189,905)	(957,035)	(335,696)	(15,905,987)	(3,207,762)
Payment for interfund services used	(884,268)	(1,391,647)	(974,479)	(892,199)	(200,121)	(4,342,714)	(115,420)
Payments to employees	(1,266,093)	(1,564,441)	(713,900)	(987,397)	(231,462)	(4,763,294)	(789,919)
Other Operating Cash Receipts	-	350	4,321	6,000	-	10,671	-
Net Cash Provided by Operating Activities	447,631	2,658,678	1,504,546	777,099	435,080	5,823,034	1,473,656
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Non capital grants	-	-	-	-	3,106	3,106	-
Transfer from other funds	-	-	-	-	-	-	49,079
Transfer to other funds	(6,552)	(42,527)	-	-	(120,000)	(169,079)	-
Interfund loan receivable	-	265,000	-	-	-	265,000	1,400,000
Misc revenue	-	-	-	-	-	-	6,433
Net Cash Provided by Noncapital Activities	(6,552)	222,473	-	-	(116,894)	99,027	1,455,512
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contribution	-	-	237,904	-	-	237,904	-
Capital grants	-	-	-	-	108,957	108,957	-
Proceeds from sales of assets	(515)	-	-	-	-	(515)	2,019
Purchases of capital assets	(313,666)	(3,759,953)	(1,210,590)	(299,579)	(621,696)	(6,205,484)	(319,370)
Principal paid on capital debt	-	(4,415,000)	(506,907)	(143,109)	-	(5,065,017)	-
Interest paid on capital debt	-	(90,742)	(224,307)	(151,436)	(2,839)	(469,324)	-
Debt cost on capital debt	-	(373)	(273)	(56)	-	(702)	-
Net Cash from Related Financing Activities	(314,181)	(8,266,068)	(1,704,173)	(594,180)	(515,579)	(11,394,181)	(317,351)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends	3,209	32,351	13,311	6,628	3,044	58,543	16,868
Net Cash Provided by Investing Activities	3,209	32,351	13,311	6,628	3,044	58,543	616,865
Net (Decrease) in Cash and Cash Equivalents	130,108	(5,352,565)	(186,317)	189,548	(194,350)	(5,413,576)	3,228,681
Balances - Beginning of the Year	1,579,577	12,163,445	3,954,009	3,313,882	1,319,813	22,330,726	3,857,978
Balances - End of the Year	$ 1,709,685	$ 6,810,880	$ 3,767,692	$ 3,503,430	$ 1,125,463	$ 16,917,150	$ 7,086,659

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Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	$ 20,814	$ 1,292,789	$ 931,995	$ 354,871	$ 439,769	$ 3,040,238	1,023,823
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	455,010	744,116	589,790	492,125	144,814	2,425,854	378,090
Change in assets and liabilities:							
Receivables, net	(213,096)	(336,346)	(93,319)	(86,452)	(36,517)	(765,729)	60,729
Due from other funds	-	(9,425)	(23,055)	(4,001)	109	(36,372)	2,270
Due from other governments	9,027	34,387	(280)	(2,000)	(66,568)	(25,433)	(4,924)
Inventories	240,065	(243,261)	(9,229)	691	-	(11,733)	3,905
Accounts and other payables	(64,470)	1,196,048	105,983	35,240	(35,979)	1,236,823	38,677
Due to other funds	3,151	3,769	119	276	19	7,333	(383)
Employee benefits	30,433	38,864	18,470	10,965	-	98,732	(17,537)
Accrued expenses	-	-	-	-	-	-	(6,649)
Deposit with fiscal agents	-	-	-	-	(1,881)	(1,881)	-
Deferred outflows of resources	(62,088)	(116,078)	(29,694)	(45,891)	(16,197)	(269,950)	(23,060)
Deferred inflows of resources	90,312	168,844	43,193	66,752	23,560	392,662	37,135
Net pension liability	528,058	987,239	252,549	390,304	137,754	2,295,904	120,907
Restatement GASB 68	(589,585)	(1,102,268)	(281,976)	(435,780)	(153,805)	(2,563,414)	(139,326)
Net Cash Provided by Operating Activities	$ 447,631	$ 2,658,678	$ 1,504,546	$ 777,100	$ 435,079	$ 5,823,033	$ 1,473,655
Noncash Investing, capital, and financing activities:							
Borrowing under capital lease	-	-	-	-	-		-
Contributions of capital assets	-	-	101,365	23,150	-		-
Purchase of equipment on account	-	-	-	-	-		-
Increase in fair value of investments	-	-	-	-	-		-
Capital asset trade-ins	-	-	-	-	-		-

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

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

City of Ellensburg, Washington

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2015

	Fire Relief and Pension Fund	Agency Fund
ASSETS		
Cash	$ 283,676	$ 180,868
Investments	50,000	-
Receivable (Net)	-	81
Special Assessments	-	350,325
Total Assets	333,676	531,275
LIABILITIES		
Accounts Payable	932	-
Due to Other Governments		
Notes Payable		350,325
Other Liabilities	-	180,950
Total Liabilities	932	531,275
NET POSITION		
Net Pension Restricted for Pensions - Ending	332,744	
Total Net Position	$ 332,744	$ -

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

City of Ellensburg, Washington

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2015

	Fire Relief and Pension Fund
ADDITIONS	
Contributions:	
Employer	
State	$ 20,187
Total Contributions	20,187
Investment Earnings:	
Interest	2,226
Total Investment Earnings	2,226
Total Additions	22,413
DEDUCTIONS	
Benefits	118,378
Administrative Expenses	11,275
Total Deductions	129,653
CHANGE IN NET POSITION	(107,240)
Net Pension Restricted for Pensions - Beginning	439,984
Net Pension Restricted for Pensions - Ending	332,744
Total Net Position	$ 332,744

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 30 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

General Fund - The general fund is the operating fund of the City. It accounts for all financial resources of general government, except those required or elected to be accounted for in another fund. This fund includes the City's budgeted General Fund (001), Ellensburg Public Transit Fund (127), Sales Tax fund (140), Police Vehicles (159), Geddis (175), and Special Projects (198).

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

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

Traffic Impact Fees- This fund is used to account for the use of traffic impact fees.

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

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

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

CATV Capital Outlay- A fund used to account for the maintenance and purchase of capital expenditures relating to the CATV fund.

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

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

C.H.I.P Reserve- A fund used to account for activities relating to CDBG guidelines.

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

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

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

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

G.O. Maintenance Bond- A fund used to account for 2010 G.O. Bonds issued for the purpose of providing funds necessary to pay or reimburse a portion of costs for various capital and maintenance projects.

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

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

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

Pension Trust Funds – This fund accounts for the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified public safety employees

Agency Funds - The City of Ellensburg has three agency funds. (1) The LID Guarantee Fund, the (2) LID Fund accounts for revenue to be used for debt payment of the outstanding debt on local improvement districts, (3) The Clearing Fund is used to account for payments in transit to other government that is not legally the City of Ellensburg money (i.e. state sales tax)

As a general rule, the effect of the Interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's gas,

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

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

D. Budgets and Budgetary Accounting

(1) Scope of Budget

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

Appropriated budgets are adopted at the level of the fund, except in the General Fund, where the expenditure may not exceed appropriation at the department level, and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

Appropriations for general and special revenue funds lapse at year-end, except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

(2) Amending the Budget

The City Manager is authorized to transfer budgeted amounts within an approved amount; however, any revisions that alter the total expenditures of a fund or a department in the case of

general fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council by a supplemental appropriation ordinance (in accordance with biennial budget requirements).

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

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

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

(3) Excess of Expenditures over Appropriations

For the year ended December 31, 2015, in no department did expenditures exceed appropriations.

E. Assets, Liabilities and Equities

(1) Cash and Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2015, the treasurer was holding $ 28,559,657 in short-term residual investments of surplus cash. This amount is classified on the Statement of Net Position as cash and equivalents in various funds. The interest on these investments is prorated to the various funds.

The amounts reported as cash and cash equivalents also includes a compensating balance maintained with U.S. Bank in lieu of payments for services rendered. The average compensating balance maintained during 2015 was approximately $6,880,369.

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

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

(2) Deposits and Investments - See Note 3

(3) Receivables

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

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2015, the balance of special assessments receivable was $350,325. The special assessments are not with government commitment; therefore, they are reported in the LID Agency Funds.

Special Assessments are reported in fiduciary funds and therefore are not included in the Government-Wide Statements.

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

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

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to either as interfund loans receivables/payables or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Interfund Balances and Transfers Note No. 13.

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

(5) Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

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

(6) Restricted Assets and Liabilities

These accounts contain resources for construction and debt service including current and delinquent special assessments receivable in enterprise funds. The current portion of related liabilities is shown as Payables from Current Restricted Assets. Specific debt service reserve requirements are described in (Long-Term Debt Note No. 8).

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

Cash and Investments - Debt Service	1,498,220
Cash and Investments - Construction	2,863,731
Total Restricted Assets	$ 4,361,951

(7) Capital Assets and Depreciation - See Note 5

(8) Other Property and Investments - See Note 3

(9) Other Assets and Debits

These accounts reflect future resources needed to retire general long-term debt principal and amounts currently available in debt service or other funds to retire general long-term debt.

(10) Custodial Accounts

This account reflects the liability for net monetary assets being held by the City in its trustee or agency capacity.

(11) Deferred Inflows/Outflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of items, which arises only under a modified accrual basis of accounting that qualifies for

reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet and the Business Activity statements. The government funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Business Type reports unavailable revenues from one source, a deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third is the recognition of the net effect of the change in proportion on beginning reported balances to prior and current year contributions to satisfy the requirements in GASB Statement No. 68. Deferred inflows account for the difference between expected and actual earnings.

City of Ellensburg
Deferred inflow and and outflows
December 31, 2015

Deferred inflows				
Fund	**Amount**	**Reason**	**Fund Statements**	**Govermentwide Statement**
General Fund	168,173	unavailable property taxes	Yes	No
General Fund	1,002,760	Resources: Pension	No	Yes
Total Inflows	1,170,933			
Deferred outflows				
Fund	**Amount**	**Reason**	**Fund Statements**	**Govermentwide Statement**
General Fund	610,880	Resources: Pension	No	Yes
Total Outflows	610,880			
Deferred Inflows				
Storm Water	23,560	Resources: Pension	Yes	Yes
Gas	90,312	Resources: Pension	Yes	Yes
Electric	24,958	Deferred gain on refunding	Yes	Yes
Electric	168,844	Resources: Pension	Yes	Yes
Water	27,171	Deferred gain on refunding	Yes	Yes
Water	43,193	Resources: Pension	Yes	Yes
Sewer	5,565	Deferred gain on refunding	Yes	Yes
Sewer	66,752	Resources: Pension	Yes	Yes
ER&R	18,567	Resources: Pension	Yes	Yes
IT	18,567	Resources: Pension	Yes	Yes
Total inflows	487,489			
Deferred Outflows				
Storm Water	16,197	Resources: Pension	Yes	Yes
Gas	62,088	Resources: Pension	Yes	Yes
Electric	116,078	Resources: Pension	Yes	Yes
Water	29,694	Resources: Pension	Yes	Yes
Sewer	45,891	Resources: Pension	Yes	Yes
ER&R	11,530	Resources: Pension	Yes	Yes
IT	11,530	Resources: Pension	Yes	Yes
Total outflows	293,008			

(12) Compensated Absences

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

Vacation pay, which may be accumulated up to a maximum of 30 days, is payable upon resignation, retirement, or death. Sick leave may accumulate 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, 2015 we have 4 employees employed prior to July 1st 1985. They have a total of 4,918 hours accumulated of which 1,325.93 hours is compensable at the current rate. Employees hired after July 1, 1985, do not receive a payout for outstanding sick leave upon resignation, retirement, or death.

(13) Pensions

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

(14) Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

(15) Long-term Debt - See Note 8

(16) Fund Balance Classification

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

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

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

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

Fund	Amount Restricted	Reason for Restriction
Traffic Impact (125)	$ 1,059,828	Restricted by third party (state law), revenue must be used for traffic puposes
Criminal Justice (130)	$ 469,079	Restricted by third party (voted sales tax revenue, restricted by law), revenue must be used for public safety puposes
Drug (137)	$ 21,695	Restricted by third party (state law), revenue must be used for public safety drug investigation puposes
Park Acquisition(160)	$ 401,753	Restricted by third party (state law), revenue must be used for the development of parks
Lodging Tax (165)	$ 470,014	Restricted by third party (state law), revenue must be used for expenditures relating to
Library Construction	$ 54,082	Restricted by third party (voted on by citizens), revenue must be used for the payment of debt
Bond Maint (325)	$ 51,990	Restricted by third party, revenue must be used for projects listed in Bond ordinance
Sidewalk Improvements (36	$ 626,998	Restricted by third party (state law), revenue must be used for sidewalk improvements
Library Trust (605)	$ 288,685	Restricted by third party (restricted donations), revenue must be used for purpose of library operations
Hal Holmes (621)	$ 439,603	Restricted by third party, Bank of America trust committee has to approved before we can spend
Total Restricted	$ 3,883,728	

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or

changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance in that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue: therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

(17) Fund Balance Detail

	Fund Balance			
	Major			
Balance Sheet	**General Fund ***	**Arterial Street ****	**Other Funds**	**Total**
Fund Balances				
Nonspendable		-		-
Inventory		$40,844		$ 40,844
Permannet Fund Principal				-
Total Nonspendable		40,844		**40,844**
Restricted for:				-
Transportation		-	1,686,827	1,686,827
Public Safety			490,774	490,774
Parks and Recreation			1,130,041	1,130,041
Economic Environment			470,014	470,014
Debt Service			54,082	54,082
Capital			51,990	51,990
Total Restricted		-	3,883,728	**3,883,728**
Committed to:				-
Economic Environment			122,987	122,987
Total Committed			122,987	**122,987**
Assigned to:				-
Transportation	77,317	1,924,872	22,880	2,025,069
Public Safety	17,972		7,719	25,692
Economic Environment	-		10,465	10,465
Parks and Recreation			14,168	14,168
Debt Service			51,392	51,392
Capital Projects			26,742	26,742
Total Assigned	95,289	1,924,872	133,365	**2,153,526**
Unassigned	2,868,853	-	-	**2,868,853**
Total Fund Balance	$ 2,964,143	$ 1,965,716	$ 4,140,080	**$ 9,069,939**

*General Fund includes the City 001, 127, 140,159,175, and 198 funds
** Arterial Street includes the City 123 and 120 funds

(18) Minimum Fund Balance

It is essential that the City maintain adequate levels of unreserved fund balance to mitigate current and future risks and ensure stable tax rates. As such, unreserved ending fund balances, excluding contingency and cumulative reserve funds, for the operating funds (all funds except the sales tax and proprietary funds) will be required to have a minimum of 15% of operating expenditures in unreserved ending fund balance.

Proprietary funds, such as utility funds and internal service funds will be required to have a 20% minimum unreserved.

F. Accounting Changes

For the 2015 reporting year, the City changed the accounting method for reporting internal

service funds in the Government Wide Financial Statements. Previously, the City had allocated, based on net income per service fund (without regard to interest income and other non-allocable items) as a percentage to appropriate enterprise and governmental funds. For 2015, the City followed BARS section 4.3.6.20, which states 'in cases where internal service funds provide services for both governmental and enterprise funds…the fund should be consolidated entirely within either… The financial impact is insignificant, the change in method is strictly compliance.

The City also implemented GASB 68, see Note 17.

G. Transportation Benefit District

In December 2015 the City Council adopted Ordinance No. 4719, the effect of which eliminates separate entity status of the Transportation Benefit District 'TBD' formed by the Council in July of 2015. This allowed the City to absorb the TBD into the general government and for the city to assume the rights, powers, functions and obligations of the TBD.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

The proprietary funds' Statement of Net Position reports a difference in the net position balance to the Government-wide Statement of Net Position due to internal service fund activity. Internal service funds are used by management to charge the cost of certain activities to individual fund. The net profit for Health Benefit Fund before investment income, gain on sale of asset and outside revenue source $168,033. This amount was attributed to governmental activities. The governmental fund portion was treated as an interactivity payable for the ER&R, IT and Risk Management internal service funds and as an interactivity receivable for the Health and Benefits included in the internal balance on the Government-Wide Statement of Net position.

Internal Service Fund Net Position (Page 133)	$9,680,039
Less: Health and Benefits Fund (Page 133	($1,073,918)
Internal Service Funds Governmental-Type Activities Portion (page 22)	447,185
Government-Wide Statement of Net Position for Business Type (page 29)	$8,158,936

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

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

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

Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position for Internal Service Funds (page 133)	$1,118,406
Internal Service Fund Governmental Type Activities Portion (page 24)	(168,033)
Internal Service Fund Allocated to Other Internal Service Funds	(7,177)
Government-Wide Statement of Changes in Net Position for Internal Service Funds (page 30)	$943,196

3. DEPOSITS AND INVESTMENTS

A. Deposits

The City's deposits and certificates of deposit are entirely 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).

At December 31, 2015, the bank balance was $28,783,937 of the bank balance $250,000 was covered by Federal Depositary insurance. The remainder of the bank balance was covered by the State of Washington Public Deposit Protection Commission established by RCW 39.58 that also regulates depository financial institutions within the state. The Commission requires each public depository a pledge agreement with the commission and trustee. The deposit shall at all times maintain segregation from its other assets, eligible collateral in the form of securities described in RCW 39.58.050(5) & (6) and having a value at least equal to its maximum liability. Such collateral shall be segregated by deposit with the depository's trustee and shall be clearly

designated as security for the benefit of public depositors. The collateral is used through the depositors, net of deposit insurance already received by them. The remaining bank balance includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the city's name.

B. Investments

As required by state law, all investments of the City of Ellensburg funds (except as noted below) are obligations of the U.S Government, U.S. Agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. Investments of pension trust funds are not subject to the preceding limitations. All temporary investments are stated at cost except Hal Holmes trust is stated at market value. Other property and investments are shown on the statement of net position at historical cost (other property consists of real estate held for future use).

As of December 31, 2015, the City of Ellensburg had the following investments:

Investment Type	Maturities	Fair Value of the City of Ellensburg's own investments	Credit Rating (Moody)	Fair Value of investments held by the City of Ellensburg as an agent for other local governments, individuals, or private organizations	Total
Hal Holmes Trust	various	400,359			400,359
US Treasury Notes	5/15/2017	1,002,145			1,002,145
Federal Agency Security	11/1/2016	400,208	AAA		400,208
Federal Agency Security	11/23/2016	499,994	Aaa		499,994
Federal Agency Security	8/15/2017	500,037	Aaa		500,037
Federal Agency Security	11/22/2017	500,857	Aaa		500,857
Federal Agency Security	8/27/2018	996,926	Aaa		996,926
Federal Agency Security	10/26/2018	496,943	Aaa		496,943
Federal Agency Security	11/13/2018	999,242	Aaa		999,242
Federal Agency Security	8/1/2019	1,002,861	Aaa		1,002,861
Total		$ 6,799,572		$ -	$ 6,799,572

Credit Risk- Safety of principal is the foremost objective of the City's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Washington State Investment Pool, a 2a-7 fund, managed by the State Treasurer's Office is limited to high quality obligations with limited maximum and average maturities which will minimize both market and credit risk. The pool is unrated. Based on the City's investment policy adopted on August 1, 2011 and revised December 7, 2015, the city is authorized to invest in certain types of securities which have the highest credit rating from at least one nationally recognized rating agency (i.e. Moody, Standard and Poor or Fitch Rating)

provided that the payment of the principal and interest is either guaranteed by the Federal Government, carries an outright government backing or caries an implicit guarantee.

Concentration of Credit Risk- Concentration risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy states the City will assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities, the State Investment Pool, and certificates of deposit, the City will invest no more than twenty-five percent of its total investment portfolio in a single security type or with a single financial institution.

Custodial Credit Risk-investments- The City policy states that all security transactions will be settled "delivery versus payment" by the City's safekeeping bank.

C. Gains and Losses on Investments

The Hal Holmes Trust Fund had a loss in market value of investment in the amount of $12,801. The Hal Holmes Trust Fund is held by a third party, Bank of America.

4. PROPERTY TAXES

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

	Property Tax Calendar
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

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

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

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

Chapter 84.52 RCW establishes a limitation on the levies for ports, public utilities, state schools, emergency medical services, counties, roads, cities, and towns. All other regular levies are proportionately reduced if a composite rate of $5.55 per thousand is exceeded. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or $10 per $1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

The City's regular levy for 2015 was $ 2.183030 per $1,000 on an assessed valuation of $ 1,244,884,915 for a total regular levy of $ 2,717,621. In addition, the levy for debt service on a voter approved bond issue was $0.121650 per $1,000 on an assessed valuation of $ 1,234,656,425 for a total of $150,196.

5. CAPITAL ASSETS AND DEPRECIATION

A. General Policies

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred (obligations under capital leases are disclosed in Note 11B).

All capital assets are valued at historical cost or estimated cost, where historical cost is not known or fair market value for donated assets or the lower of cost or fair market value when transferred between proprietary funds and governmental funds.

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the City has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included such assets within the applicable account group or fund.

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

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

Assets are placed in service when they are ready and available for their intended use.

The cost for normal maintenance and repairs are not capitalized.

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

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

B. Governmental Activities Capital Assets

Asset	Beginning Balances 1/1/2015	Increase	Decrease	Ending Balance 12/31/2015
Capital assets, not being depreciated				
Land	$ 12,831,668	$ 33,350	$ 50,400	$ 12,814,618
Construction In progress	358,236	96,869	267,049	188,056
Total	**13,189,904**	**130,219**	**317,449**	**13,002,674**
Capital assets, being depreciated				
Buildings	12,711,421	39,095	1,215,614	11,534,902
Improvements other than building	3,292,198	210,468		3,502,666
Machinery & equipment	1,230,292	91,489	292,262	1,029,519
Infrastructure	62,949,887	2,031,879	-	64,981,766
Total	**80,183,798**	**2,372,931**	**1,507,876**	**81,048,853**
Less accumulated depreciation for				
Buildings	5,564,842	359,801	81,041	5,843,601
Improvements other than buildings	1,639,967	310,837		1,950,804
Machinery & equipment	934,166	97,410	282,791	748,785
Infrastructure	33,240,714	1,853,829		35,094,543
Total	**41,379,689**	**2,621,876**	**363,832**	**43,637,734**
Total capital assets, being depreciated, net	**38,804,109**	**(248,945)**	**1,144,044**	**37,411,119**
Total	**$ 51,994,013**	**$ (118,727)**	**$ 1,461,493**	**$ 50,413,793**

- The significant decrease in construction in progress is due to the completion of the D Street bridge replacement and 3rd Avenue Extension. The increase in construction in progress is continuation of the John Wayne Trail project and commencement of Capital Avenue and 7th Avenue Bike Boulevard projects.
- The increase in land is purchase of an easement and the decrease is to remove ancillary costs associated with a land purchase that did not materialize.
- The decrease in buildings is the sale of the 'Geddis Building' and the increase is the installation of an HVAC system for the library.
- The decrease in machinery and equipment is the surplus of Police vehicles and computer and office equipment, the increase is the addition of two police vehicles and various office equipment.

- The significant increase in Infrastructure was due to completions of bridges, streets, lighting, sidewalks and donated infrastructure.

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

Governmental Activities	Amount
General Government	$199,268
Security of Person	$63,253
Culture and Recreation	$404,345
Transportation	$1,955,011
Total	$2,621,876

C. Proprietary Fund Capital Assets

Capital assets of proprietary funds are capitalized in their respective balance sheets.
Utility Plant in Service and Depreciation - Utility plant in service is stated substantially at original cost. Additions to utility plant include the cost of contracted services, direct labor, direct material, and indirect charges for overhead items. Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property, are charged to operating and maintenance expense. Depreciation expense is charged to operations using the group concept where every item in the group is assumed to have the life of the group and to be fully depreciated at the time of retirement.

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

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

Business-Type Activities	Amount
Utilities	$2,425,854
Internal Service	378,090
Total	$2,803,944

Accumulated depreciation and amortization on proprietary fund assets at December 31, 2015 are as follows:

Business Type Assets	Beginning Balances 1/1/2015	Increase	Decrease	Adjustment	Ending Balance 12/31/2015
Capital Assets, not being depreciated					
Land	$ 1,055,098	$ -	$ -	$ 94,014	$ 1,149,112
Construction in progress	1,793,910	4,508,138	1,086,927	-	5,215,122
Total	**2,849,008**	**4,508,138**	**1,086,927**	**-**	**6,364,234**
Capital Assets, being depreciated					
Building	10,507,683	-		-	10,507,683
Improvements other than building	71,250,328	3,647,128	6,054,026	1,665,023	70,508,453
Machinery & equipment	21,250,316	1,054,430	158,082	(1,759,035)	20,387,629
Total	**103,008,327**	**4,701,558**	**6,212,108**	**(94,012)**	**101,403,765**
Less accumulated depreciation for					
Building	4,234,110	69,308		210,827	4,514,245
Improvements other than building	34,250,116	1,862,322	3,208,064	(225,478)	32,678,896
Machinery & equipment	13,862,963	872,314	1,916,604	14,651	12,833,324
Total	**52,347,189**	**2,803,944**	**5,124,668**	**-**	**50,026,465**
Total capital assets, being depreciated,r	**50,661,138**	**1,897,614**	**1,087,440**		**51,377,300**
Total	**$ 53,510,146**	**$ 6,405,752**	**$ 2,174,367**	**$ (94,012)**	**$ 57,741,533**

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

There are no intangible assets to report for 2015 based on GASB 51 which states that if the intangible asset has an indefinite life or was internally generated then the entity is not required to retro back to previous years. All intangible assets received before 2015 either have an indefinite life or was internally generated (i.e. computer software). All intangible asset received in 2015 did not meet the threshold for reporting purposes.

A need was identified for additional substations in 2006. Through Ordinance No. 4688, amending the City's Comprehensive Plan, the City Council approved building of the Helena Substation. This project was secured with an Electric Revenue Bond in 2014. The total amount of interest incurred during the period was $283,567, of which $192,825 was capitalized to the project.

6. PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 6,663,757
Pension assets	$ 1,346,795
Deferred outflows of resources	$ 903,890
Deferred inflows of resources	$ 1,432,556
Pension expense/expenditures	$ 310,991

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1**-member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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

The City's actual contributions to the plan were $19,945 for the year ended December 31, 2015.

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18

percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The City's actual contributions to the plan were $802,906 for the year ended December 31, 2015.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

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

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

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

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits

are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City's actual contributions to the plan were $110,607.31 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed $58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.

- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.

- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 4,433,041	$ 3,641,093	$ 2,960,091
PERS 2/3	8,838,424	3,022,663	(1,430,247)
LEOFF 1	(306,752)	(479,485)	(626,708)
LEOFF 2	740,440	(739,379)	(1,852,998)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the City reported a total pension liability of $ 6,663,756 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 3,641,093
PERS 2/3	3,022,663

At June 30, 2015, the City reported a total pension asset of $ 1,218,864 for its proportionate share of the net pension liabilities as follows:

	Asset
LEOFF 1	$ 479,485
LEOFF 2	739,379

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

	Asset
LEOFF 2 – employer's proportionate share	$ 739,379
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	488,878
TOTAL	$1,228,257

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.072711%	0.069607%	-0.003104%
PERS 2/3	0.088371%	0.084596%	-0.003775%
LEOFF 1	0.039867%	0.039784%	-0.000083%
LEOFF 2	0.073203%	0.071938%	-0.001265%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose

reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City recognized pension expense as follows:

	Pension Expense
PERS 1	$ 39,344
PERS 2/3	321,905
LEOFF 1	(94,186)
LEOFF 2	43,928
TOTAL	$ 310,991

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		$ 199,208
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$ 200,502	
TOTAL	$ 200,502	$ 199,208

PERS Plan 2-3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 321,310	
Net difference between projected and actual investment earnings on pension plan investments		$ 806,908

Changes of assumptions	4,870	
Changes in proportion and differences between contributions and proportionate share of contributions		157,192
Contributions subsequent to the measurement date	250,331	
TOTAL	$ 361,905	$ 964,100

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ 80,947
Net difference between projected and actual investment earnings on pension plan investments		
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL		$ 80,947

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 64,745	
Net difference between projected and actual investment earnings on pension plan investments		$ 224,028
Changes of assumptions	1,950	
Changes in proportion and differences between contributions and proportionate share of contributions	7,905	
TOTAL	$ 74,600	$ 224,028

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as:

Year ended December 31:	PERS 1
2016	$ (77,206)
2017	$ (77,206)
2018	$ (77,206)
2019	$ 32,410
2020	
Thereafter	

Year ended December 31:	PERS 2-3
2016	$(254,805)
2017	$(254,805)
2018	$(254,805)
2019	$ 162,220
2020	
Thereafter	

Year ended December 31:	LEOFF 1
2016	$ (31,410)
2017	$ (31,410)
2018	$ (31,410)
2019	$ 13,284
2020	
Thereafter	

Year ended December 31:	LEOFF 2
2016	$(73,475)
2017	$(73,475)
2018	$(73,475)
2019	$ 52,801
2020	$ 14,102
Thereafter	$ 2,820

A. Other Local Government Pension Systems

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

As of December 31, 2015 there were a total of 5 individuals (all retirees) covered by this system. Four of them are retirees, and one is a widow of a retiree.

Plan Description. The Kittitas County Disability Board is governed by RCW 41.26.110. Each county shall establish a disability board composed of five members to be chosen as follows: one member to be a representative of the City of Ellensburg determined by council; one to be a representative of Kittitas County and is also a county commissioner; one to be active or retired firefighter employed by or retired from an employer within the county to be elected by the firefighters employed or retired from an employer within the county who are not employed by or retired from a city in which a disability board is established and who are subject to

jurisdiction of that board; one to be active or retired law enforcement officer employed by or retired from an employer within the county to be elected by the law enforcement officers employed in or retired from an employer within the county who are not employed by or retired from a city in which a disability board is established and who are subject to the jurisdiction of that board; one member from the public at large who resides within the county but does not reside within a city which a city disability board is established, to be appointed by the other four members designated in this subsection. All members appointed or elected pursuant to this subsection shall serve for two year terms.

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

The most recent actuarial study of the system was done by Milliman Consultants and Actuaries to determine the funding requirements as of December 31, 2015. As of this date, the assets valued at market were $ 0.332 million and the actuarial present value of future benefits was $ 0.859 million with unfunded actuarial accrued liabilities of $ 0.527 million. The assets of the fund, along with future revenues from state fire insurance taxes and investment earnings are not sufficient to pay all future pension benefits, resulting in an actuarial deficiency. During the FY 2014 budget hearing, the City Council authorized allocating $.141 million of 2016 property tax receipts to the Fire Relief and Pension fund. Based on the number of members in the City's plan, the City is only obligated to calculate the liability of pension cost every three years.

The following schedules show the system's annual pension cost and net pension obligation as well as three-year trend information.

Annual Required Contribution (ARC)		For Fiscal Year Ending*			
		12/31/2012	12/31/2013	12/31/2014	12/31/2015
1	Annual Normal Cost (BOY)	$ -	$ -	$ -	$ -
2	Amortization of UAAL (BOY)	57,619	57,619	42,068	42,068
3	Interest to EOY [(1)+(2)]X(i)*	2,305	2,305	1,578	1,578
4	ARC at EOY [(1)+(2)+(3)], not less than zero	59,924	59,924	43,646	43,646
5	Interest on NPO	2,546	(3,246)	(3,551)	(2,225)
6	Adjustment to ARC	5,031	(6,696)	(8,066)	(8,066)
7	Annual Pension Cost (APC)[(4)+(5)-(6)]	57,439	63,374	48,161	49,487
8	Employer Contributions**	202,238	76,923	81,404	(61,886)
9	Change in NPO [(7)-(8)]	(144,799)	(13,549)	(33,243)	111,373
10	NPO at BOY [(11) prior year]	63,660	(81,139)	(94,688)	(127,931)
11	NPO at EOY [(9)+(10)]	$ (81,139)	$ (94,688)	$ (127,931)	$ (16,558)

* "i" is the assumed interest rate that year: 4.0% in 2012, 3.75% in 2013, and 3.75% in 2014

** Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses. Prior to 2014, administrative expenses were also subtracted from employer contributions. The above information is only required to be completed every two years. The above information is from 2014 and will be updated in 2016.

The following are the actuarial assumptions used in the above calculations:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	21-years, closed as of January 1st 2008
Remaining Amortization Period	17 years
Asset Valuation Method	Fair Market value
Actuarial Assumptions	
Investment Rate of Return	3.50%
Projected Salary Increases	3.25%
Inflation	2.25%
Cost of Living Adjustments	Based upon salary increase assumption when appropriate, for FPF benefits. Based upon inflation assumption for some FPF benefits and all LEOFF benefits

SCHEDULE OF FUNDING PROGRESS (in thousands)						
Fund	**Valueof Assets**	**Actuarial Accrued Liability**	**Unfunded AAL**	**Funded Ratio**	**Covered payroll**	**UAAL as a percentage of Covered Payroll**
Fire Relief and Pension	440	867	427	51%	-	N/A

The above information is only required to be completed every two years. The above information is from 2014 and will be updated in 2016.

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

	Increase (Decrease)		
Changes in Net Pension Liability	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances as of December 31, 2014	$866,513	$439,985	$426,528
Charges for the year:			
Service Cost	-		
Interest on total pension liability	29,698		29,698
Effect of economic/demographic gains or losses	-		-
Effect of assumptions changes or inputs	-		-
Benefit Payments	(36,305)	(36,305)	-
Medical payments from fund		(82,073)	82,073
Employer contributions		-	-
Contributions from state fire insurance premium tax		20,187	(20,187)
Net investment income		2,225	(2,225)
Administrative expenses		(11,275)	11,275
Balances as of December 31, 2015	859,906	332,744	527,162
The following presents the net pension liability of the City, calculated using a discount rate of 3.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage higher (4.50%) than the current rate.			
	1% Decrease 2.50%	**Current Discount Rate 3.50%**	**1% Increase 4.50%**
Total pension liability	$957,270	$859,906	$776,819
Fiduciary net position	332,744	332,744	332,744
Net pension liability	$ 624,526	$ 527,162	$ 444,075

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

The City of Ellensburg does not prepare a separate financial report for the single employer defined benefit plan. Therefore, a schedule of employer contributions is provided as RSI on page 96 & 97.

7. RISK MANAGEMENT

A. Pool Insurance

The City of Ellensburg is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 175 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are $4 million per occurrence self-insured layer, and $20 million per occurrence in the reinsured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are $4 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to

the Executive Committee and is responsible for conducting the day to day operations of WCIA.

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

B. Partial Self Insurance

As of December 31, 2015, the City is partially self-insured for its employee health and benefits program. The health insurance activities are funded and accounted for separately in the fund financial statements based upon the activities of the fund in an Internal Service Fund. The City purchased individual and aggregate stop loss insurance to limit its risk exposure. The City will pay up to $ 65,000 in claims for an individual employee with an aggregating specific deductible of $30,000 and up to 2 million for the entire group. Once the maximum amount is exceeded then the insurance companies takes over. To cover the 2 million, the City has 2.5 million in operating revenues in 2015. In 2015 the City had $ 700,635 in stop loss recoveries. The City has not exceeded the insurance coverage in the first 5 years of the program.

	2015	2014	2013	2012
Year to Date medical claims	$ 942,510	$ 1,866,557	$ 930,996	$ 1,120,103
Year to Date Pharmacy Claims	215,232	202,824	217,563	199,523
Run-out Claims*	-	-	-	-
Less Eligible Individual Stop Loss Recover	-	494,012	21,213	204,172
Less Prior Contract Year Service Date Clai	36,578	275,298	109,378	60,436
Less vision Claims	3,856	26,194	26,889	24,910
less Refunded Claims	18,207	3,347	6,239	5,667
Total Aggregate Stop Loss Claims	$1,099,101	$1,270,530	$984,840	$1,024,441

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

8. LONG-TERM DEBT

A. Long-Term Debt

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

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the city:
1.5% - Without a vote of the people
2.5% - With a vote of the people
5.0% - With a vote of the people provided the indebtedness in excess of 2.5% is for utilities, parks, or open space development.

As of December 31, 2015, the debt limits of the City were as follows:

Assessed Value	1,270,554,665		
	Without a Vote	With a Vote	
		2.50%	5.00%
Legal Limit	$ 19,058,320	$ 31,763,867	$ 63,527,733
Applicable Outstanding Debt	2,285,000	3,345,000	3,345,000
Available Assets	40,164	100,577	100,577
Margin Available	$ 16,813,484	$ 28,519,444	$ 60,283,310

General Obligation Bonds

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

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

Purpose	Maturity Range	Interest Rate(s)	Original Amount	Amount of Installment	Outstanding Amount
2014 GO Bond - Library	2021	2.50 - 4.35%	1,175,000	156,800	1,060,000
2010 GO Bond - Maintenance	2030	2.00 - 5.00%	2,495,000	215,350	2,285,000
Total			$ 3,670,000	$ 372,150	$ 3,345,000

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

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

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

Year Ending	Governmental Activities	
December 31	Principal	Interest
2016	$ 240,000	$ 132,150
2017	255,000	124,950
2018	260,000	116,100
2019	275,000	107,100
2020	290,000	97,600
2021-2025	935,000	351,075
2026-2030	1,090,000	286,250
2031-2035	-	-
Total	$ 3,345,000	$ 1,215,225

Revenue Bonds

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

Annual principal and interest payments on the bonds are expected to require less than 5 percent of net revenues.

2010 Water/Sewer Ref(99) Bonds for the purpose of paying the cost of carrying out of the system or plan of addition to and betterments and extension of the waterworks utility. The bonds will mature in 2019 with a debt payment in 2016 of $271,950 and operating revenue of $8,205,667 in 2015.

2010 Water/Sewer Revenue Bonds for the purpose of paying the cost of carrying out of the system or plan of addition to and betterments and extension of the waterworks utility. Drilling of deep wells, extend water and sewer mains and replace the bio-solid thickening equipment. The bonds will mature in 2029 with a debt payment in 2016 of $520,650 and operating revenue of $8,205,667 in 2015.

2013 Water Revenue Bonds for the purpose of paying the cost of carrying out of the system or plan of addition to and betterments and extension of the waterworks utility. Construction of two well houses and the installation of pumps, motors, and electronic control systems and if funds are available the City shall make other improvements to the Waterworks Utility. The bonds will mature in 2022 with a debt payment in 2016 of $241,643 and operating revenue of $4,499,484 in 2015.

2014 Refunding/Revenue Bond for the purpose of providing funds to refund outstanding electric revenue bonds of the City and to finance the cost of a new substation of the City's Electric Utility. The bonds will mature in 2032 with a debt payment in 2016 of $603,725 and operating revenue of $15,333,042 in 2015.

The Revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rates	Original Amount	Amount of Installment	Outstanding Amount
2010 Water/Sewer (ref 99) Bonds	12/1/2019	2.00-4.50%	2,290,000	271,950	985,000
2010 Water/Sewer Revenue Bonds	12/1/2029	2.00-4.50%	7,420,000	520,650	7,150,000
2013 Water Bonds	12/1/2022	2.82%	2,100,000	241,643	1,525,310
2014 Electric (refunding)	12/1/2025	2.00-4.50%	3,650,000	395,900	3,360,000
2014 Electric	12/1/2034	2.00-4.50%	4,540,000	207,825	4,530,000
Total			$ 20,000,000	$ 1,637,968	$ 17,550,310

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

Year Ending	Business-type Activities	
December 31	Principal	Interest
2016	950,030	687,938
2017	975,710	658,558
2018	1,006,552	628,316
2019	1,042,560	594,658
2020	1,073,739	559,730
2021-2025	5,251,719	2,197,142
2026-2030	5,090,000	1,086,550
2031-2035	2,160,000	248,175
Total	$ 17,550,310	$ 6,661,067

Local Improvement Funds

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

Special Assessments	Beginning Balance 1/1/2015	Amount Issued	Amount Redeemed	Ending Balance 12/31/2015
LID Notes & Bonds	$ 378,190	$ -	$ 36,125	$ 342,065
Total	$ 378,190	$ -	$ 36,125	$ 342,065

In the government-wide financial statements and proprietary fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities and proprietary financial statements as net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts as bond issuance costs during the current period. Issuance costs whether or not withheld from the actual debt proceeds received are reported as debt service expenditure items.

At December 31, 2015, the City has $103,028 available in debt service funds to service the general obligation bonded debt. Restricted assets in proprietary funds contain $1,442,008 in sinking funds and reserves as required by bond indentures to service the revenue bonded debt.

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

Arbitrage-The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31st, 1986. Rebate arbitrage occurs when earnings on investments purchased from gross proceeds of a bond issue are in excess of the amount that would have been earned if the investment were invested at a yield equal to the yield on the bond issue. The rebate arbitrage must be paid to the federal government. The City of Ellensburg carefully monitors it investments to restrict earnings to a yield less than the bond issue and therefore limit any arbitrage liability. As of December 31, 2015 the City has no arbitrage rebate liability.

B. Changes in Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term Liabilities reported as General Long-Term Debt.

	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Governmental Activities:					
Bonds payable					
General Obligation Debt	$ 3,570,000	-	$ 225,000	$ 3,345,000	$ 240,000
Less/add Deferred amounts for issuance discount and Premiums	$ 154,752	-	$ 14,452	$ 140,300	$ 14,452
Total Bonds Payable	3,724,752	-	239,452	3,485,300	254,452
Capital Leases	-			-	-
Compensated Absences	538,141	19,831	12,874	545,098	414,096
OPEB Liability	2,152,044	755,451	-	2,907,495	-
Net Pension Liability		4,262,994		4,262,994	
Total Governmental LT Liabilities	6,414,937	5,038,276	252,326	11,200,887	668,548
Business-Type Activities					
Revenue Bonds	22,289,816	-	4,739,506	17,550,310	950,030
Less/add Deferred amounts for issuance discount and Premiums	800,112	92,199	-	892,311	41,105
Unamortized Bond Premium	-	(16,713)		(16,713)	-
Total Bond Payable	23,089,928	92,199	4,739,506	18,425,908	991,135
Compensated Absences	467,306	102,065	22,750	546,620	253,258
Net Pension Liability		1,189,099	-	1,189,099	
Total Business-Type LT Liabilities	23,557,234	1,383,363	4,762,256	20,161,627	1,244,393
Total	$ 29,972,171	$ 6,421,639	$ 5,014,582	$ 31,362,515	$ 1,912,941

Internal service funds predominately serve the enterprise funds, accordingly, long-term liabilities for them are included as part of the above Business-Type Activities i.e., compensated absences total in the amount of $88,653. Also, for the governmental activities, claims, judgments, and

compensated absences are generally liquidated by the fund it is associated with. The net pension obligation OPEB liabilities are generally liquidated by the General Fund.

9. UTILITY RATE SETTING POLICY

The City operates six classified utilities: Gas, Electric, Water, Sewer, Stormwater and Telecommunications. The rates for these six utilities are approved by the City Council.

10. CONTINGENCIES AND LITIGATION

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

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

11. COMMITMENTS

A. Operating Leases

The City leases equipment under non-cancelable operating leases. Total cost for such leases was $ 40,743 for the year ended December 31, 2015. The future minimum lease payments for these leases are as follows; all leases are completed by 2020 as of December 31st 2015.

Year ending December 31	Amount
2015	$40,743
2016	$41,560
2017	$38,861
2018	$37,341
2019	2,388
Total	$160,893

Pension commitments are discussed in Note 6.

12. INTERGOVERNMENTAL GRANTS AND ENTITLEMENTS

The accompanying Schedule of Financial Assistance provides a listing of all federal, state, and local assistance programs in which the City participates and summarizes the City's grant transactions for 2015.

13. INTERFUND BALANCES AND TRANSFER

Classification of Interfund Transactions

Interfund transactions are classified as follows:

A. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City.

B. Transfers to support the operations of other funds are recorded as "Transfers" and classified with "Other Financing Sources or Uses."

C. Contributions to the capital of enterprise or internal service funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified as transfers and reported as direct additions to or deductions from fund equity.

D. Loans between funds are classified as interfund loans receivable and payable or as
   a. advances to and from other funds on the combined balance sheet depending on the time
   b. period for which the loan was made. Interfund loans do not affect total fund equity, but
   c. advances to other funds are offset by a reservation of fund equity

The following table displays interfund transfer activity during 2015:

Transfer	Transfer To	Transfer To	Transfer To	Transfer To	Transfer To	Total
From	General Fund	Street	Arterial	Non Major Gov	Internal Service	
General Fund		1,200,000	153,215	213,953		1,567,168
Sidewalk			41,459			41,459
Stormwater		120,000				120,000
Gas					6,552	6,552
Light					42,527	42,527
Trust funds	21,000					21,000
Total	21,000	1,320,000	194,674	213,953	49,079	1,798,706

The following table displays interfund balances activity during 2015:

Due To	Due From General Fund	Due From Street/Art	Due From Gas	Due From Light	Due From Water	Due From Sewer	Due From Shop	Due From All Others	Total
Major Governmental									-
General Fund	308			498					806
Arterial and Street			2,157	2,157	471	4,146		468	9,399
Non Major Governmental								3,821	3,821
Major Business Type									-
Gas									-
Light		9,425							9,425
Water		22,318			67	652		19	23,055
Sewer		4,513							4,513
Nonmajor Business Type									-
Internal Service Fund	2,543	3,433	1,756	1,982		876		78	10,669
Total	2,851	39,689	3,913	4,638	537	5,674		4,386	61,688

The following table displays interfund loan activity during 2015:

Interfund loan	Beginning Balance 1/1/2015	Installment	Balance 12/31/15
Receivable	General		
Major funds:			
Light	2,099,657	265,000	1,834,657
Internal Service	1,400,000	1,400,000	-
Equipment Revolving	283,943		283,943
Total	$ 3,783,600	$ 1,665,000	$ 2,118,600

14. FUND EQUITIES

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

Net Investment in capital assets

Statement of Net Position	Governmental Funds	Gas	Light	Water	Sewer	Other
Capital Assets	94,051,527	$ 13,921,808	$ 32,143,504	$ 26,769,626	$ 23,390,179	$ 10,541,190
Minus						
Accumulated Depreciation	43,637,732	7,909,263	15,086,578	10,408,439	10,688,855	$ 5,521,628
Longterm Debt	3,335,630		8,132,893	6,049,420	3,610,890	131,938
Other Liabilities	-					
Total Investment of Capital Assets	47,078,165	6,012,545	8,924,033	10,311,767	9,090,434	4,887,624

It is essential that the City maintain adequate levels of unassigned fund balance to mitigate current and future risks and ensure stable tax rates. As such, unassigned ending fund balances, excluding contingency and cumulative reserve funds, for the operating funds (all funds except the sales tax and proprietary funds) will be required to have a minimum of 15% of operating expenditures in unreserved ending fund balance.

Proprietary funds, such as utility funds and internal service funds will be required to have a 20% minimum unrestricted.

15. JOINT OPERATION

The City of Ellensburg and Kittitas County entered into a cooperative service enterprise to purchase and operate the facility previously known as the City/County Community Center (currently known as the Adult Activity Center), effective July 19, 1977. The $62,500 in initial costs of the facility 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 2015 operations are as follows:

	Budget	Actual
Kittitas County	$ 49,000	$ 51,865
City of Ellensburg	77,828	84,656
Tour Fees	5,500	2,970
Other Revenues	21,600	27,883
Total Support	$ 153,928	$ 167,374

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

16. POSTRETIREMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note 7, the City of Ellensburg provides postretirement health care benefits, in accordance with Washington State law to 27 police and firefighters who retired or disabled under the LEOFF I Pension Act or the City's Fire Relief and Pension Plan. A single employer defined benefit plan.

A. Summary of Significant Accounting Policies

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

B. Plan Description

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

C. Funding Status and Funding Policy

The plan has 23 retired members and zero active. Health insurance premiums are paid monthly. Other medical services are paid monthly as billings are presented for reimbursement. The pension board performs an annual survey to determine the care to be covered. The City of Ellensburg reimburses 100 percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees.

Employer contributions are financed on a pay-as-you-go basis. Expenditures for postretirement health care benefits are recognized as retirees report claims. During the year 2015, expenditures of $255,424 were recognized for postretirement health care. 2014 expenditures were $237,813.

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

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

as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purpose of this valuation.

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

Fiscal Year 2015	Fire	Pre leoff Fire	Police
Actuarial Accrued Liability(AAL)	$ 4,167,704	$ 2,143,952	$ 4,108,135
Annual Required Contribution (ARC)	374,848	192,829	369,490
Annual OPEB Cost	338,880	162,004	319,284
NET OPEB Obligation (NOO)	$ 977,074	$ 697,166	$ 1,233,255
Participants	8	6	9

Fiscal Year 2015	Fire	Pre leoff Fire	Police	Total
Medical Expenses	$ 2,661,699	$ 1,163,080	$ 2,494,234	$ 6,319,013
Longterm Care	1,506,004	980,873	1,613,902	4,100,779
Total Inactive	4,167,703	2,143,953	4,108,136	10,419,792
Arc				
Normal Cost	-	-	-	-
UAAl Amortization	374,848	192,829	369,490	937,167
ARC	374,848	192,829	369,490	937,167
Annual OPEB Cost				
ARC	374,848	192,829	369,490	937,167
NOO Interest	28,808	24,689	40,212	93,709
NOO Amortization	(64,776)	(55,515)	(90,419)	(210,710)
Annual OPEB Cost	338,880	162,003	319,283	820,166
NOO				
Starting NOO	720,207	617,234	1,005,309	2,342,750
Annual OPEB Cost	338,880	162,004	319,284	820,168
Contributions	82,013	82,073	91,338	255,424
NOO*	$ 977,074	$ 697,165	$ 1,233,255	$ 2,907,495

*Estimated

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and three preceding fiscal years were as follows:

FIRE FUND				
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
FISCAL YEAR ENDED	ANNUAL OPEB COST	ANNUAL OPEB ACTUAL COSTS CONTRIBUTIONS	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATIONS
2012	213,677	70,501	32.99%	717,288
2013	176,663	74,486	42.16%	819,465
2014	271,756	71,759	26.41%	720,207
2015	338,880	82,013	24.20%	977,074

PRE LEOFF FIRE FUND				
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
FISCAL YEAR ENDED	ANNUAL OPEB COST	ANNUAL OPEB ACTUAL COSTS CONTRIBUTIONS	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATIONS
2012	150,178	78,992	53%	475,374
2013	119,895	75,059	63%	520,210
2014	169,108	72,084	43%	617,234
2015	162,004	82,073	51%	697,166

Police FUND				
SCHEDULE OF EMPLOYER CONTRIBUTIONS				
FISCAL YEAR ENDED	ANNUAL OPEB COST	ANNUAL OPEB ACTUAL COSTS CONTRIBUTIONS	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATIONS
2012	228,459	104,584	46%	713,288
2013	204,985	95,432	47%	822,841
2014	276,474	94,006	34%	1,005,309
2015	319,284	91,338	29%	1,233,255

Funding Status and Funding Progress- As of December 2015, the actuarial accrued liability for benefits was $10,419,791.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. There are no active employees.

SCHEDULE OF FUNDING PROGRESS						
Fund	Valueof Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ration	Covered payroll	UAAL as a percentage of Covered Payroll
Pre leoff	-	860,000	527,000	39%	-	N/A
Leoff 1 Fire	-	4,167,704	4,167,704	0%	-	N/A
Leoff 1 Police	-	4,108,135	4,108,135	0%	-	N/A

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

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

Life expectancies are based on mortality tables at the office of the State Actuary for Washington (osa.leg.wa.gov). Life expectancies that included partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year in the worksheet is based on the assumption that all participants will live until their expected age displayed in the mortality tables.

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

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

Inflation rate- The expected long-term inflation assumption for 2015 of 0.91 percent was based on projected changes in the Consumer Price Index for Urban Wage earners and Clerical Workers (SPI-W) from the office of the State Actuary for Washington (osa.leg.wa.gov).

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 2.1 percent was used. In addition, the actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The funded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2015 was twenty-four years.

17. IMPLEMENTATION OF GASB STATEMENT NO. 68 AND No.71

During 2015 the City implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transaction for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. As a result, the City is required to recognize on the face of the financial statements the proportional share of collective pension amounts: net pension liability, deferred outflows of resources and deferred inflows of resources, and a reduction in pension expense of $483,233 reported in payroll expense. Fiscal year 2014, the earliest year feasible for restatement based on available information, has been restated by the following amounts for implementation of this statement:

	Amount	Increase or Decrease from Previously Reported
Previously Reported Beginning Balances:		
Net Position	$6,623,064	Decrease
Ending Balances:		
Deferred Outflows of Resources	903,890	Increase
Deferred Inflows of Resources	1,432,556	Increase
Net Pension Liability	6,663,757	Increase
Net Pension Asset	1,218,864	Increase

18. NONRECOGNIZED SUBSEQUENT EVENT

In April of 2016 Ellensburg residents voted in favor of a proposition that allows the City to raise sales taxes to fund transportation in the city. The City Council set the rate, at two-tenths of 1 percent. The City will begin collecting the tax October 1, 2016.