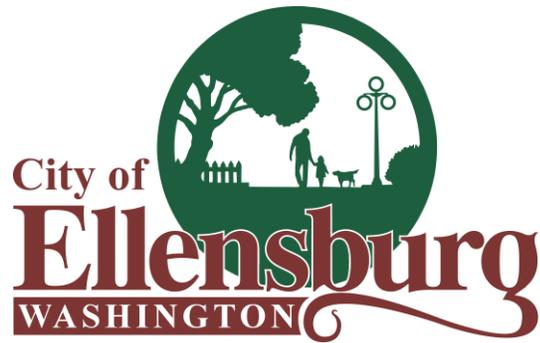




City of  
**Ellensburg**  
WASHINGTON



*Comprehensive Annual Financial Report  
Fiscal Year Ended December 31, 2015*



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Finance Director  
**Jerica Pascoe**

Accounting Manager  
**Holly Conti**

Sr. Financial Analyst/Budget Officer  
**Keith Bassett**

Accountant II  
**Gloria Lanphere**

Application Specialist  
**Brent Myrick**

For The Fiscal Year  
Ended December 31, 2015

Prepared by the Finance Department

**CITY OF ELLENSBURG, WASHINGTON**  
 Comprehensive Annual Financial Report  
 For the Fiscal Year Ended December 31, 2015

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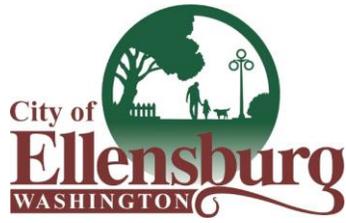
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## Introductory Section

## City Council



Mary Morgan	Rich Elliott	Jill Scheffer	David Miller	Nancy Lillquist	Chris Herion	Bruce Tabb
	<b>Mayor</b>					
Term Expires: 12/31/17	Mayoral Term Expires: 12/31/17	Term Expires: 12/31/19	Term Expires: 12/31/19	Term Expires: 12/31/17	Term Expires: 12/31/19	Term Expires: 12/31/17

As of December 31, 2015

## **Administrative Staff**

John Akers  
*City Manager*

Terry Weiner  
*City Attorney*

Cindy Smith  
*Director of Human Resources*

Jerica Pascoe  
*Director of Finance*

Kirsten Sackett  
*Director of Community Development*

Larry Dunbar  
*Director of Energy Services*

Debby DeSoer  
*Director of Library Services*

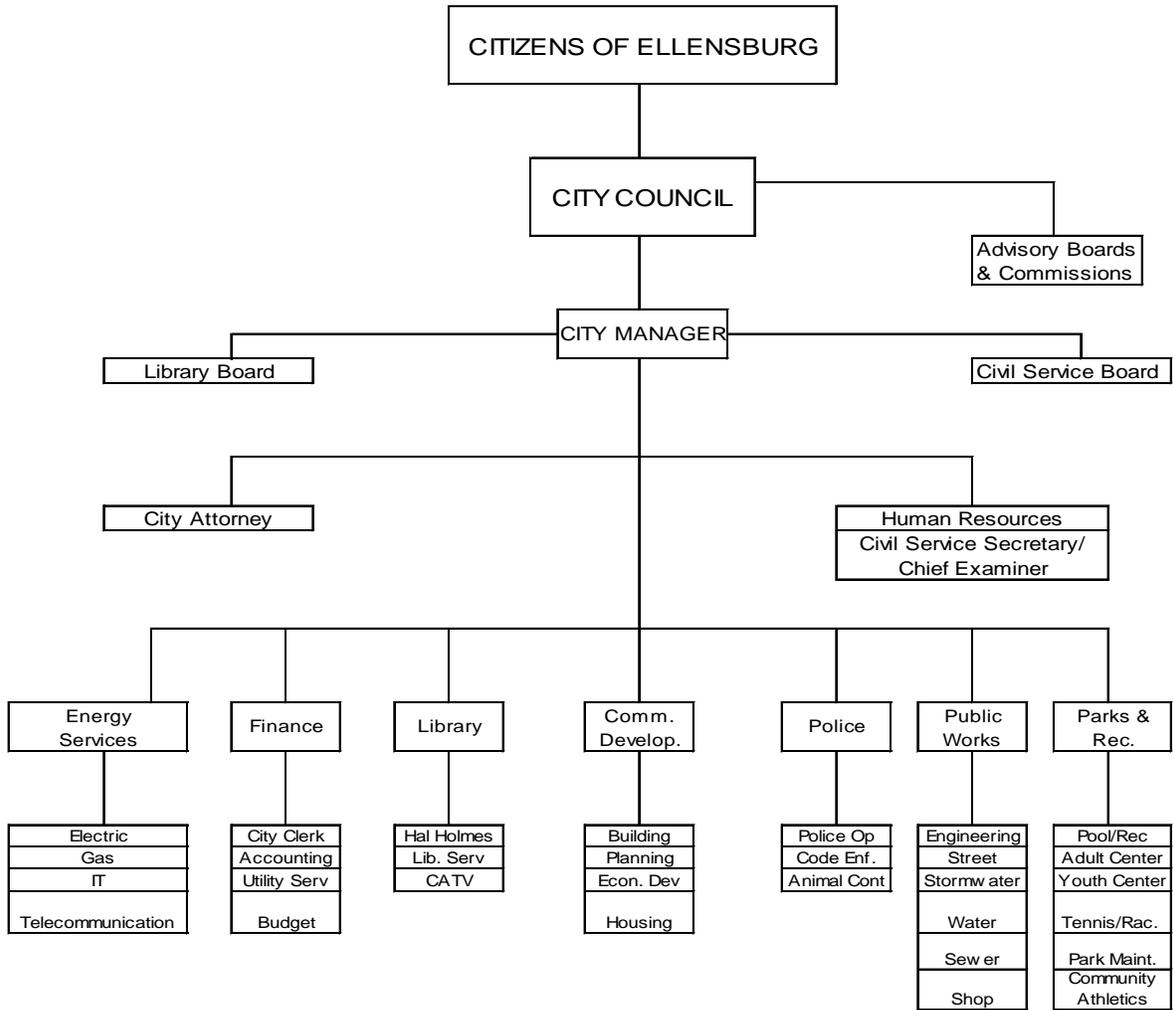
Dale Miller  
*Police Chief*

Brad Case  
*Director of Parks and Recreation*

Ryan Lyyski  
*Director of Public Works*

As of December 31, 2015

# *City of Ellensburg*





## Financial Section



# Washington State Auditor's Office

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

September 19, 2016

Mayor and City Council  
City of Ellensburg  
Ellensburg, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ellensburg, Kittitas County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ellensburg, Kittitas County, Washington, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Streets funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As described in Note 17, during the year ended December 31, 2015, the City has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 16, information on postemployment benefits other than pensions on page 86 and pension plan information on pages 87 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 94 through 138 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures

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

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

#### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated September 19, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA



# Management's Discussion & Analysis

## ***Management's Discussion and Analysis***

As management of the City of Ellensburg, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Ellensburg for the fiscal year ended December 31, 2015. The purpose is to highlight significant financial issues, major financial activities and resulting changes in financial position, and economic factors affecting the city. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal in the introductory section and the City's financial statements and accompanying notes following the narrative. All amounts, unless otherwise indicated, are expressed in millions of dollars.

### **Financial Highlights**

- The assets of the City of Ellensburg exceeded its liabilities at the close of the most recent fiscal year by \$114.03 million (net position). Of this amount, \$20.99 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. In addition, \$6.02 million (restricted net position) is dedicated to specific purposes and \$87.03 million is for net investment in capital assets.
- The government's total net position decreased by \$2.23 million. The governmental activities decreased by \$4.82 million and the business-type activities increased by \$2.58 million. The City of Ellensburg implemented GASB Statement 68 this year. In short, GASB 68 will require employers who participate in defined benefit pension plans to recognize a net pension liability on their financial statements. A restatement to record the effects of the new reporting guidance decreased net position by \$6.28 million. Decision regarding the allocations are made by the administrators of the pension plan, not by the City of Ellensburg's management. The majority of the increase to business type activities is attributable to excess of revenues over the expenses as well as capital contributions in the water and sewer funds.
- As of the close of the current fiscal year, the City of Ellensburg's governmental funds reported a combined ending fund balance of \$9.07 million, an increase of \$1.8 million over the prior year. This increase is due to an increase in retail sales tax and intergovernmental revenue collected for the "D" Street Bridge and John Wayne Trail projects.
- The City of Ellensburg's enterprise funds reported a combined ending fund balance of \$56.18 million, an increase of \$1.79 million over the prior year. This includes a \$3.07 increase in net position prior to applying the cumulative effect of a change in accounting principle for GASB 68. The majority of this increase is due to an increase in charges for services as well a \$.73 million decrease in operating expenses in the Gas Fund. This

accounting principle for GASB 68. The majority of this increase is due to an increase in charges for services as well a \$.73 million decrease in operating expenses in the Gas Fund. This large drop is due to the decrease in natural gas prices. All funds saw an increase in net position except for the Gas Fund. The decrease in net position of the Gas Fund was expected as they passed on the cost savings to their customers.

### **Overview of the Financial Statements**

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

**Government-Wide Financial Statements.** The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City of Ellensburg's financial position in a manner similar to that of a private-sector business.

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

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

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

The *Government-Wide Financial Statements* can be found on pages 17 - 18 of this report.

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

These statements focus on major governmental funds and proprietary funds separately. The city's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the city's proprietary funds and fiduciary funds follow the governmental funds and include net position, revenues, expenses, and changes in fund net position and cash flow.

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

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

The City of Ellensburg maintains 13 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Arterial Street Fund which are considered major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 21-24 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Gas, Electric, Water, and Sewer funds, which are considered major funds of the City of Ellensburg. Conversely, Information Technology (IT), Equipment Repair and Replacement (ER&R), Health and Benefits, and Risk Management funds in the internal service funds are combined into single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

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

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

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 – 94 of this report.

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

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

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$114.03 million at the close of the 2015 fiscal year. The City's fiscal condition remains stable and although the net position is less than last year, the City's fiscal condition is relatively better than last year. The decrease is due to a cumulative effect of a change in accounting principle applied in accordance with GASB 68.

The largest portion of City of Ellensburg's net position (76% (87.03/114.03)) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment), less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Ellensburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Ellensburg's Statement of Net Position**  
**December 31, 2015**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and Other Assets	\$ 11.73	\$ 9.60	\$ 30.75	\$ 34.59	\$ 42.48	\$ 44.19
Capital Assets	50.41	51.99	57.74	53.51	108.15	105.50
Total Assets	62.14	61.59	88.49	88.10	150.63	149.69
<b>Deferred Outflow of Resources</b>						
Def. Outflow of Res. Pension	0.34	-	0.16	-	0.50	-
Total Deferred Charges	0.34	-	0.16	-	0.50	-
<b>Liabilities</b>						
Other Liabilities	0.86	0.66	3.71	2.44	4.57	3.10
Long-Term Liabilities	11.20	6.41	20.18	23.85	31.38	30.26
Total Liabilities	12.06	7.07	23.89	26.29	35.95	33.36
<b>Deferred Outflow of Resources</b>						
Deferred Gain on Refunding	-	-	0.06	0.07	0.06	0.07
Deferred: Pension	0.72	-	0.38	-	1.10	-
Total Deferred Outflows of Resources	0.72	-	0.43	0.07	1.15	0.07
<b>Net Position</b>						
Net Investment in Capital	47.08	48.41	39.95	38.63	87.03	87.05
Restricted	3.92	3.50	2.09	2.01	6.02	5.51
Unrestricted	(1.30)	2.61	22.29	21.09	20.99	23.71
Total Net Position	\$ 49.71	\$ 54.52	\$ 64.33	\$ 61.74	\$ 114.03	\$ 116.27

An additional portion of the City of Ellensburg's net position (\$6.02 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$20.99 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Ellensburg is able to report positive balances in all categories of net position, except for unrestricted in the governmental activities. This negative is an effect of the \$4.84 million decrease adjustment for GASB 68. Prior years showed a positive in all categories. The governmental activities net position increased by \$.03 million during the current fiscal year and saw a decrease of \$4.85 million as a cumulative effect for GASB 68 for an overall net position decrease of \$4.82 million. The government's restricted net position increased by 9% (from \$5.51 million to \$6.02 million), and the unrestricted decreased by 12% (from \$23.71 million to \$20.99 million). The increase in the restricted net position is due mainly to capital contributions. Prior to applying the cumulative effect in an accounting principle for GASB 68, the government's net position increased by \$4.04 million during the current fiscal year. Therefore, the net decrease of \$2.23 million is a direct result of applying GASB 68.

The governmental activities increased the City of Ellensburg's net position by \$.02 million, thereby accounting for less than 1 percent of the total growth in the net position. This increase is prior to applying the cumulative effect of a change in accounting principle for the City of Ellensburg. Key elements of this increase are as follows:

**City of Ellensburg's Statement of Activities**  
**For the Years Ended December 31, 2015 and 2014**

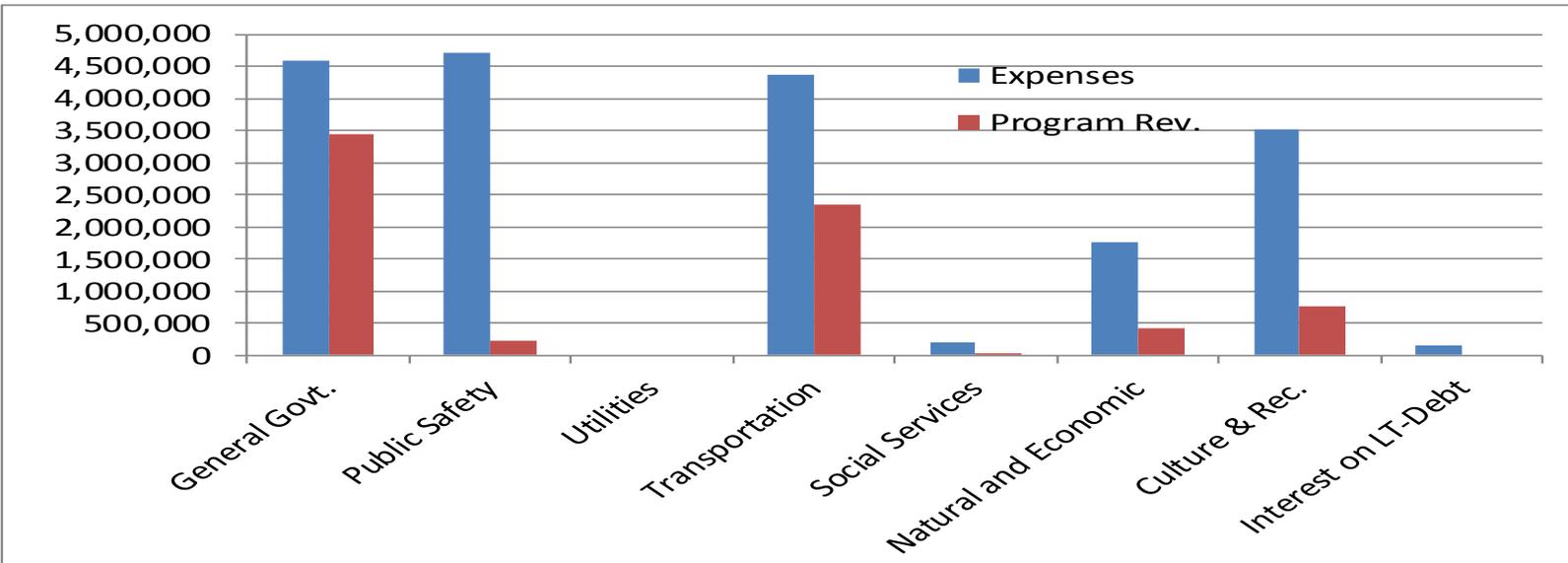
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for Services	\$ 4.61	\$ 5.05	\$ 31.66	\$ 30.54	\$ 36.28	\$ 35.59
Operating Grants & Contributions	0.85	0.42	0.11	0.08	0.97	0.50
Capital Grants & Contributions	2.10	2.32	0.63	1.49	2.73	3.81
General Revenues						
Property Taxes	2.86	2.79	-	-	2.86	2.79
Retail Sales & Use Tax	5.23	5.14	-	-	5.23	5.14
Other Taxes	3.27	3.04	-	-	3.27	3.04
Investment Earnings	0.03	0.32	0.06	0.04	0.09	0.36
Other Income	0.28	-	0.05	0.03	0.32	0.03
Total Revenues	19.24	19.08	32.51	32.19	51.75	51.27
Expenses:						
General Government	4.58	3.96			4.58	3.96
Public Safety	4.71	4.92			4.71	4.92
Transportation	4.36	4.41			4.36	4.41
Social Services	0.21	0.20			0.21	0.20
Natural and Economic	1.77	1.83			1.77	1.83
Culture & Recreation	3.51	3.30			3.51	3.30
Interest on LT Debt	0.15	0.23			0.15	0.23
Utilities			28.38	29.80	28.38	29.80
Others					-	-
Total Expenses	19.27	18.84	28.38	29.80	47.65	48.64
Inc(Dec) in Net Assets before Transfers	(0.03)	0.24	4.13	2.39	4.10	2.62
Special Items - Gain (Loss)	(0.06)		0.00		(0.06)	-
Transfers	0.12	0.12	(0.12)	(0.12)	-	-
Change in Net Position	0.03	0.36	4.01	2.27	4.04	2.62
Net Position - Beginning	54.52	54.15	61.74	59.48	116.27	113.63
Cumulative Effect of a Change in Accounting Principle	(4.85)	-	(1.43)	-	(6.28)	-
Beginning Net Position as Restated	49.68	54.15	60.31	59.48	109.99	113.63
Prior Period Adjustments	0.00	0.01			-	0.01
Net Position at Year End	\$ 49.71	\$ 54.52	\$ 64.32	\$ 61.74	\$ 114.03	\$ 116.27

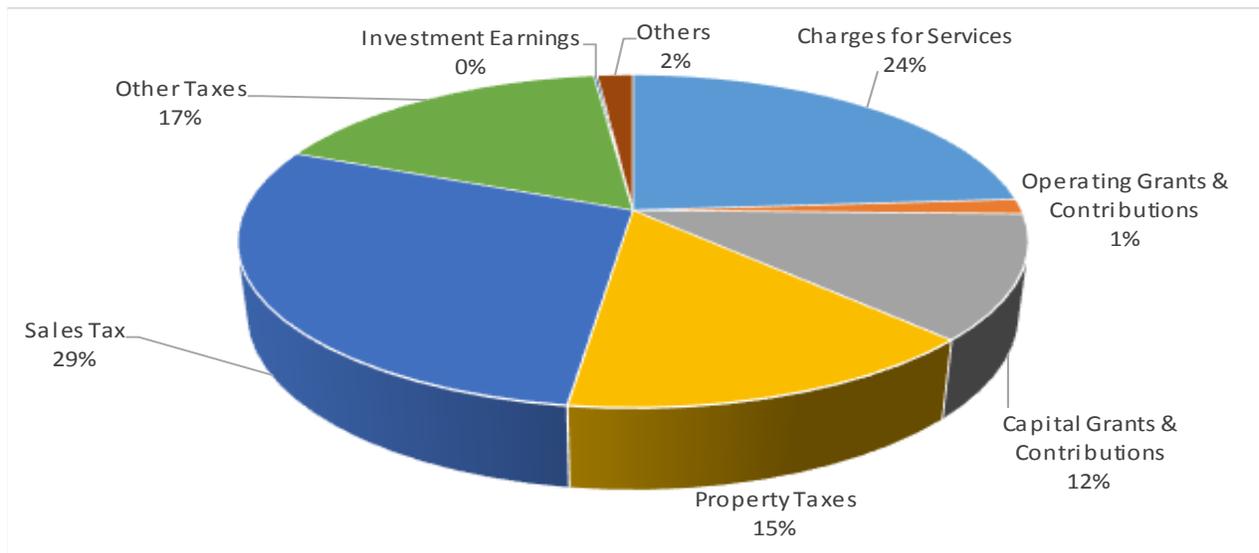
### Governmental Activities

There is not a significant change in net position for Governmental Activities from December 31, 2014 to December 31, 2015. This is attributed to the increase in general government and culture and recreation expenditures being relatively close to the increase in sales and use tax. A sizable portion of the general government expenditures increase is due to the sale of the Geddis Building and repayment of the interfund loan. The repayment was larger than the proceeds from the sale. The decrease in charges for services was covered with an increase in sales tax and decrease in areas of expenditures. The decrease in net position at year-end for the governmental activities is due to the large cumulative effect of a change in accounting principle created by applying GASB Statement 68.

## 2015 Expenses and Program Revenues - Governmental Activities



## 2015 Revenues by Source – Governmental Activities

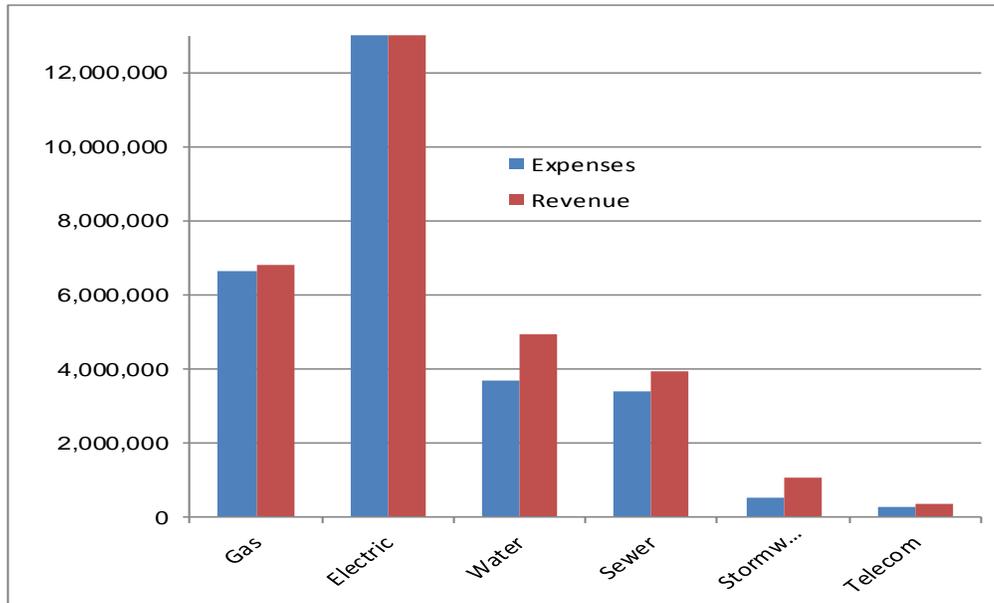


### Business-type activities

The business-type activities increased the City of Ellensburg’s net position by \$4.04 million, accounting for almost 100 percent of the total growth in the government’s net position. Key elements of this increase are as follows:

The increase in charges for services for the Electric, Water, Sewer, and Stormwater funds contributed approximately \$1.95 million. This increase is due to a combination of utility rate increases and weather. Also contributing is an increase in plant investment fee revenues in water and sewer.

## 2015 Expenses and Program Revenues – Business-type Activities



### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Ellensburg's governmental funds reported a combined ending fund balance of \$9.07 million (see page 21). This is an increase of \$1.80 million from the prior year. Of this amount, \$2.87 million constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted, committed, or assigned to indicate it is not available for new spending because it has already been committed or designated to pay for contracts or special programs (\$6.10 million) or to pay debt service (\$0.11 million).

- The General Fund is the chief operating fund of the City of Ellensburg. At the end of the current fiscal year, the General Fund had a fund balance of \$2.96 million; the majority of this amount is classified as unassigned funds. The increase in fund balance

from the prior year is a result of the sale of the Geddis Building. Since financing to purchase the Geddis Building was done through an interfund loan, the liability was reported on the face of the basic financial statements. However, the asset is only reported in the government-wide financial statements. Therefore, the payoff of the interfund loan greatly reduced the liability for the General Fund, increasing the fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 22.5% (2,868,853/12,725,954) of the total General Fund expenditures. The General Fund reported \$1.835 million in interfund loans used to defease GO Bonds. As with the Geddis Building loan, the loan is reported on the face of the basic financial statements, however, the asset is only reported in the government-wide financial statements.

- Arterial Street Fund is a major fund of the governmental funds. Arterial Street Fund includes both the 123 (Arterial) and the 120 (Street) funds. At the end of the current fiscal year, Arterial Street had a fund balance of \$1.97 million, a decrease of \$.38 million from 2014. A majority of it is classified as assigned, which is \$1.92 million. The assigned amount is to be used for street construction and maintenance. During the current year the City of Ellensburg completed major projects with the D Street Bridge replacement, and 3<sup>rd</sup> Avenue extension that were carried over from 2014. The remainder of the expenditures were for street maintenance.

### **Proprietary funds**

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

Restricted net position of the proprietary funds at the end of the year amounted to \$2.09 million including \$1.40 million in debt service and \$0.69 million in construction. Unrestricted net position was \$23.81 million, and the total net position for all proprietary funds was \$65.85 million. Of the \$23.81 million of unrestricted net position, there is \$15.91 million in cash and cash equivalents.

The Gas Fund had an ending fund balance of \$8.71 million in 2015. This is a decrease of \$.01 million from 2014. The majority of this decrease is due to a decrease in gas rates to its customers to reflect the decrease in natural gas purchasing costs resulting in a decrease in net position. The GASB 68 cumulative effect of a change in accounting principle reports a decrease of \$.295 million to beginning net position.

The Electric Fund had an ending balance of \$17.63 million, an increase of \$1.14 million over 2014. The majority of this increase is due to slightly higher operating revenues over expenses resulting in an increase in net position. The GASB 68 cumulative effect of a change in accounting principle reports a decrease of \$.55 million to beginning net position.

The Water Fund had an ending fund balance of \$14.08 million, an increase of \$1.13 million over 2014. This increase is attributed to the excess of revenues over expenditures and the addition of capital contributions resulting in an increase in net position. The GASB 68 cumulative effect of a change in accounting principle reports a decrease of \$.14 million to beginning net position.

The Sewer Fund had an ending fund balance of \$12.47 million, which was an increase of \$.40 over 2014. The increase is attributed to the excess of revenues over expenditures and the addition of capital contributions resulting in an increase in net position. The GASB 68 cumulative effect of a change in accounting principal reports a decrease of \$.22 million to beginning net position.

**General Fund Budgetary Highlights:** Actual General Fund revenues were lower than the final budgeted revenues by \$.03 million during fiscal year 2015. This decrease is mostly due to a lower collection of other taxes which includes telephone and utility taxes; a shortfall in licenses and permit revenue; and a decrease in charges for services associated with late fees and door tag fees. The reduction in permit fee revenue is due to projected building projects that did not happen or were pushed back to future years. The departments within the General Fund spent \$2.55 million less than their final annual budget.

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

The following are the significant supplemental appropriations during the year.

General Fund	BUDGET			ACTUAL		
	Original	Supplemental	Final	General	Other Funds	Total
<b>Revenues</b>						
Taxes	\$ 9.80	\$ -	\$ 9.80	\$ 6.05	\$ 3.96	\$ 10.01
Licenses & Permits	0.56	\$ -	0.56	0.42	-	0.42
Intergovernmental Revenues	0.27	\$ 0.03	0.30	0.40	-	0.40
Charges for Goods & Services	3.87	\$ 0.00	3.87	3.57	0.08	3.65
Fines & Penalties	0.29	\$ -	0.29	0.29	-	0.29
Miscellaneous Revenues	0.35	\$ (0.11)	0.23	0.21	0.03	0.24
Other Financing Sources	3.32	\$ (0.24)	3.08	3.02	0.06	3.09
<b>Total Revenues</b>	<b>18.45</b>	<b>(0.33)</b>	<b>18.12</b>	<b>13.96</b>	<b>4.13</b>	<b>18.09</b>
<b>Expenditures</b>						
City General	1.24	0.07	1.31	1.09	0.12	1.21
Finance	1.61	-	1.61	1.46	-	1.46
City Manager	0.88	-	0.88	0.83	-	0.83
Police	4.46	-	4.46	4.04	-	4.04
Community Development	0.92	-	0.92	0.85	-	0.85
Engineering	0.91	-	0.91	0.89	-	0.89
Parks & Rec	2.24	0.03	2.26	2.20	-	2.20
Library	1.06	0.10	1.16	1.06	-	1.06
Debt Service	1.70		1.70	0.02	-	0.02
Capital Outlay- General	0.05		0.05	0.05	0.09	0.14
Other Financing Uses	3.45	0.05	3.50	-	3.50	3.50
<b>Total expenditures</b>	<b>18.53</b>	<b>0.24</b>	<b>18.77</b>	<b>12.51</b>	<b>3.71</b>	<b>16.22</b>
Change to fund balance	\$ (0.08)	\$ (0.57)	\$ (0.65)	\$ 1.44	\$ 0.42	\$ 1.87

The difference between the original budget and final budget calculated to a \$.57 million decrease to fund balance. However, because of underspending budget in other areas, the budgeted decrease to fund balance was not used.

The City of Ellensburg's net investment in capital assets for governmental and business type activities as of December 31, 2015 amounts to \$87.03 million (net of accumulated depreciation) (see page 17). This investment in capital assets includes land, building, and systems improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City of Ellensburg net investment in capital assets for the current year included a 2.76% (1,334,493/48,412,657) decrease for governmental activities and an increase of 3.4% (1,313,953/38,631,373) for business type activities.

At the end of the fiscal year 2015, the City of Ellensburg's net investment in capital assets for its governmental activities was \$47.08 million (see page 17). Major capital asset events during the current fiscal year included the following:

**Change in Capital Assets (millions)**

<b>Governmental</b>	12/31/2014	Additions	Retirements	12/31/2015
Land	\$ 12.83	\$ 0.03	\$ 0.05	\$ 12.81
Construction in Progress	0.36	0.10	0.27	0.19
Infrastructure	62.95	2.03	-	64.98
Building	12.71	0.04	1.22	11.53
Non-Building Improvements	3.29	0.21		3.50
Machinery & Equipment	1.23	0.09	0.29	1.03
Total	93.37	2.50	1.83	94.05
Less Accumulated Depreciation	41.38	2.62	0.36	43.64
Total Capital Assets Net of Depreciation	\$ 51.99	\$ (0.12)	\$ 1.46	\$ 50.41

The \$.05 million decrease in land was due to ancillary expenses previously reported as land associated with the Helena & Regal Parcel A that was never actually purchased.

The \$1.22 million decrease in building is from the sale of the Geddis Building.

The \$.29 million decrease in machinery and equipment is the retirement of police vehicles, outdated camcorders and computer equipment, parks playground toy, hot water heater, and other obsolete equipment.

The increase of \$.21 million for non-building improvements is the paving of the Rotary Park softball/baseball complex.

The \$2.03 million addition in infrastructure and the \$.03 million addition in land are from the donation of roads, sidewalks, and land from developers and the completion of the D Street Bridge and 3<sup>rd</sup> Avenue extension.

At the end of the fiscal year 2015, the City of Ellensburg's net investment in capital assets for its business type activities was \$39.95 million (see page 17). The major capital asset events during the current fiscal year included the following:

**Change in Capital Assets (millions)**

<b>Business Type activities</b>	12/31/2014	Additions	Retirements	12/31/2015
Land	\$ 1.06	\$ 0.09	\$ -	\$ 1.15
Construction in Progress	1.79	4.51	1.09	5.22
Building	10.51	-	-	10.51
Non-Building Improvements	71.25	2.56	3.30	70.51
Machinery & Equipment	21.25	1.19	2.06	20.39
Total	105.86	8.36	6.45	107.77
Less Accumulated Depreciation	52.35	2.94	5.26	50.03
Total Capital Assets Net of Depreciation	\$ 53.51	\$ 5.42	\$ 1.19	\$ 57.74

The City implemented a capital asset system in 2015 as well as conducted an extensive

audit of all the assets of the City. This resulted in removing a substantial amount of assets and the corresponding accumulated depreciation. The \$6.45 million in retirement of capital assets includes: \$2.96 million in power poles, overhead conductors, and underground conduit; \$1.43 million in electric line transformers, and various electrical equipment; and \$.57 million in gas meters and tools. A majority of these retirements were already completely depreciated. Additions to construction in progress include: Reecer Creek flood restoration project, Helena substation, Airport Road well-house, disinfectant upgrade and surface aerator at the treatment plant, and Anderson Road access to the city shop. Additions to non-building improvements included: telecommunications reclassification, new services and meters for light utility, additional distribution mains including Vista View distribution mains for water utility, main electrical panel at treatment plant, additional sewer lines, new mains on 3<sup>rd</sup> Avenue, and additional mains, services, and meters in the gas utility. Additions to machinery and equipment include; water meters and pumps, surface aerator at treatment plant, shop vehicles and equipment, and backup storage array and Dell server for the IT department.

See Note 5B for detail information on Capital Asset

### Long-term Debt

At year-end, the City had \$31.37 million in long-term debt.

### Outstanding Debt, at Year-End (millions)

<b>Governmental activities:</b>	2014	Addition	Deletion	2015
Bond Payable	\$ 3.57	\$ -	\$ 0.25	\$ 3.34
Premium	\$ 0.15	\$ -	\$ 0.01	\$ 0.14
Comp	0.54	0.02	0.01	0.55
OPEB Liability	2.15	0.75	-	2.90
Net Pension Liability	-	4.26	-	4.26
Total	\$ 6.41	\$ 5.03	\$ 0.28	\$ 11.19
<b>Enterprise activities:</b>				
Bond Payable	\$ 22.29	\$ -	\$ 4.74	\$ 17.55
Premium	\$ 0.80	\$ 0.09	\$ -	\$ 0.89
Comp	0.47	0.10	0.02	0.55
Net Pension Liability	-	1.19	-	1.19
Total	23.56	1.38	4.76	20.18
Total Long-Term Debt	\$ 29.97	\$ 6.41	\$ 5.04	\$ 31.37

See Note 8 for more detail on Long-Term Debt.

In December 2014, the City received \$3.825 million in bond proceeds for the refunding of previous 2005 electrical revenue bonds at a lower interest rate. Because these bonds were not yet callable in 2014, the reissuance proceeds were deposited with a fiscal agent and showed as Long-Term Debt until they were defeased in 2015. This accounts for a large decrease in Long-Term Debt.

The state law limits the amount of general obligation debt the City can issue without the vote of the people to 1.5% of the total assessed value. As of the end of the fiscal year, the City has \$16.81 million remaining in debt capacity (non-voted). More detail information on capital assets and long-term debt are provided in the notes to the financial statements (Note 8).

The City also has outstanding interfund loans in the total amount of \$2.12 million. One loan is from the Electric Fund to General Fund in the amount of \$1.83 million to defease the 2001 & 2002 G.O. bonds. The second interfund loan in the amount of \$283,943 is from the ER&R Fund to the Telecommunications Fund for construction of the new telecommunications utility. These loans are not part of the Long-Term Debt; they are reported under interfund loans payable.

### **Economic Factors and Next Year's Budgets and Rate**

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

### **Contacting the City's Finance Department**

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

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

Finance Department

City of Ellensburg

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Ellensburg, Washington 98926

or visit the City web site at [www.ci.ellensburg.wa.us](http://www.ci.ellensburg.wa.us)