



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Ellensburg

Kittitas County

For the period January 1, 2016 through December 31, 2016

Published September 29, 2017

Report No. 1019878





Office of the Washington State Auditor
Pat McCarthy

September 29, 2017

Mayor and City Council
City of Ellensburg
Ellensburg, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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

**City of Ellensburg
Kittitas County
January 1, 2016 through December 31, 2016**

Mayor and City Council
City of Ellensburg
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated September 25, 2017.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Ellensburg Kittitas County January 1, 2016 through December 31, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 10.

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, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Arterial Street funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 21, information on postemployment benefits other than pensions on page 90 and pension plan information on pages 91 through 97 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017

FINANCIAL SECTION

**City of Ellensburg
Kittitas County
January 1, 2016 through December 31, 2016**

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Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
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PERS 2&3, LEOFF 1 and LEOFF 2 – 2016

Schedule of Employer Contributions – Pension Plans PERS 1, PERS 2&3, LEOFF 1 and
LEOFF 2 – 2016

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, 2016. 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 and deferred outflows of the City of Ellensburg exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$115.45 million (net position). Of this amount, \$21.08 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. In addition, \$7.58 million (restricted net position) is dedicated to specific purposes and \$86.79 million is for net investment in capital assets.
- The government's total net position increased by \$1.34 million. The governmental activities increased by \$.385 million and the business-type activities increased by \$.954 million. The majority of the increase to governmental activities is attributable to the increase in sales and use taxes received. The majority of the increase to business type activities is attributable to operating income in Water, Sewer, and Stormwater funds 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 \$10.78 million, an increase of \$1.71 million over the prior year. The City saw an increase in construction in 2016, resulting in additional sales tax and building permits fees.
- The City of Ellensburg's enterprise funds reported a combined ending net position of \$55.22 million, an increase of \$.191 million over the prior year. The majority of this increase is attributable to the increase in charges for services in the Water, Sewer and Stormwater funds. Gas and Electric funds saw a decrease in net position.

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, liabilities, and deferred inflows/outflows of resources, 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/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 19 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 17 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 – 88 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 \$115.45 million at the close of the 2016 fiscal year. The City's fiscal condition remains stable and is relatively better than last year.

The largest portion of City of Ellensburg's net position (75% (86.79/115.45)) 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, 2016 (In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and Other Assets	\$ 14.48	\$ 12.95	\$ 30.96	\$ 30.73	\$ 45.44	\$ 43.68
Capital Assets	48.82	50.41	59.55	57.74	108.36	108.16
Total Assets	63.30	63.36	90.51	88.48	153.80	151.84
Deferred Outflow of Resources						
Def. Outflow of Res. Pension	1.23	0.61	1.08	0.29	2.31	0.90
Total Deferred Charges	1.23	0.61	1.08	0.29	2.31	0.90
Liabilities						
Other Liabilities	1.16	0.86	3.49	3.71	4.65	4.57
Long-Term Liabilities	11.97	11.18	23.85	21.39	35.83	32.57
Total Liabilities	13.14	12.04	27.34	25.10	40.47	37.14
Deferred Outflow of Resources						
Deferred Gain on Refunding	-	-	0.05	0.06	0.05	0.06
Deferred: Pension	0.08	1.00	0.07	0.43	0.15	
Total Deferred Outflows of Resources	0.08	1.00	0.12	0.49	0.19	0.06
Net Position						
Net Investment in Capital	45.40	47.08	41.39	39.95	86.79	87.03
Restricted	5.16	3.92	2.42	2.09	7.58	6.02
Unrestricted	0.74	(0.08)	20.33	21.14	21.08	21.06
Total Net Position	\$ 51.31	\$ 50.92	\$ 64.14	\$ 63.18	\$ 115.45	\$ 114.11

An additional portion of the City of Ellensburg's net position (\$7.58 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$21.08 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. The government's net investment in capital assets decreased by .2 % (from \$87.03 million to \$86.79 million) The government's restricted net position increased by 25.9% (from \$6.02 million to \$7.58 million), and the unrestricted increased by less than .01% (from \$21.065 million to \$21.077 million). The

decrease in net investment in capital assets is due to depreciation, while the increase in the restricted net position is due mainly to capital contributions.

The governmental activities increased the City of Ellensburg's net position by \$.385 million, thereby accounting for 28.76% of the total growth in the net position. Key elements of this increase are as follows:

City of Ellensburg's Statement of Activities

For the Years Ended December 31, 2016 and 2015

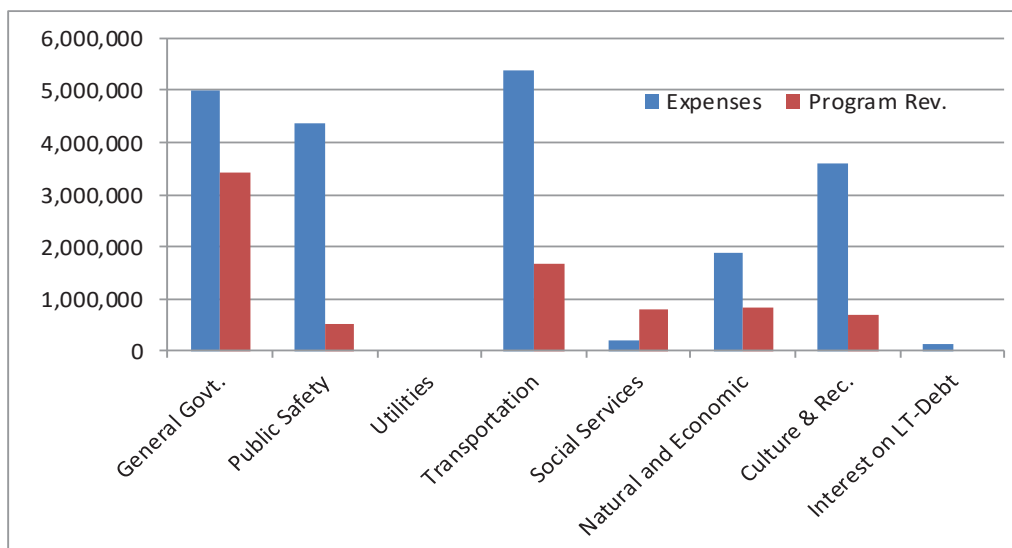
(In Millions)

Revenues:	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for Services	\$ 5.38	\$ 4.61	\$ 30.98	\$ 31.66	\$ 36.36	\$ 36.28
Operating Grants & Contributions	0.85	0.85	0.33	0.11	1.18	0.97
Capital Grants & Contributions	1.66	2.10	0.80	0.63	2.46	2.73
General Revenues						
Property Taxes	2.97	2.86	-	-	2.97	2.86
Retail Sales & Use Tax	6.05	5.23	-	-	6.05	5.23
Other Taxes	3.26	3.27	-	-	3.26	3.27
Investment Earnings	0.07	0.03	0.12	0.06	0.19	0.09
Other Income	0.57	0.34	0.35	0.05	0.92	0.40
Total Revenues	20.82	19.31	32.58	32.51	53.39	51.82
Expenses:						
General Government	4.99	4.50	-	-	4.99	4.50
Public Safety	4.35	4.59	-	-	4.35	4.59
Transportation	5.38	4.35	-	-	5.38	4.35
Social Services	0.19	0.21	-	-	0.19	0.21
Natural and Economic	1.88	1.77	-	-	1.88	1.77
Culture & Recreation	3.60	3.49	-	-	3.60	3.49
Interest on LT Debt	0.14	0.15	-	-	0.14	0.15
Utilities	-	-	31.53	28.25	31.53	28.25
Others	-	-	-	-	-	-
Total Expenses	20.52	19.05	31.53	28.25	52.05	47.30
Inc(Dec) in Net Assets before Transfer:	0.29	0.26	1.04	4.26	1.34	4.52
Special Items - Gain (Loss)	0.00	(0.06)	-	(0.00)	0.00	(0.06)
Transfers	0.09	0.12	(0.09)	(0.12)	-	-
Change in Net Position	0.39	0.32	0.95	4.14	1.34	4.46
Net Position - Beginning	50.92	54.52	63.18	61.74	114.11	116.27
Cumulative Effect of a Change in Accounting Principle	-	(3.92)	-	(2.70)	-	(6.62)
Beginning Net Position as Restated	50.92	50.60	63.18	59.04	114.11	109.64
Prior Period Adjustments	-	-	-	-	-	-
Net Position at Year End	\$ 51.31	\$ 50.92	\$ 64.14	\$ 63.18	\$ 115.45	\$ 114.11

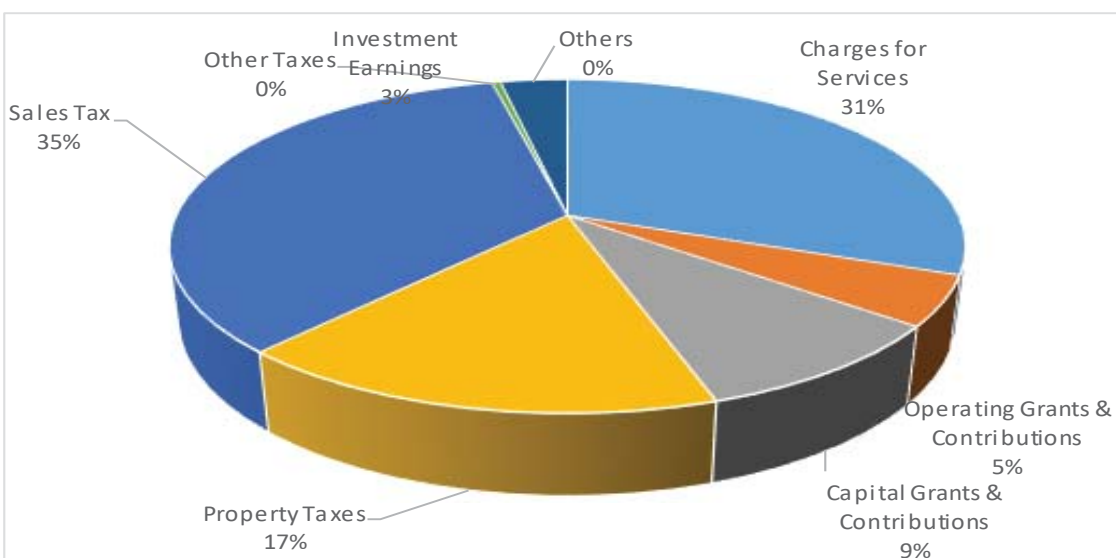
Governmental Activities

There is not a significant change in net position for Governmental Activities from December 31, 2015 to December 31, 2016. This is attributed to the increase in general government, transportation, and culture and recreation expenditures being relatively close to the increase in sales and use tax and charges for services.

2016 Expenses and Program Revenues - Governmental Activities



2016 Revenues by Source – Governmental Activities

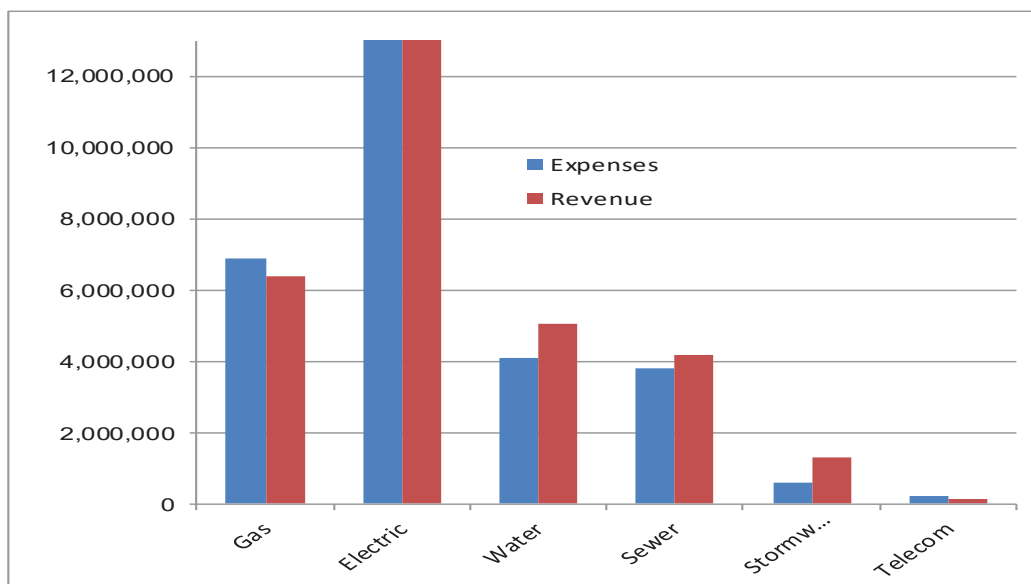


Business-type activities

The business-type activities increased the City of Ellensburg's net position by \$.95 million, accounting for 71.24% percent of the total growth in the government's net position. Key elements of this increase are as follows:

The increase in net position for the Water, Sewer, and Stormwater funds contributed approximately \$1.71 million. This increase is due to a combination of utility rate increases, weather, and capital contributions.

2016 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 \$10.78 million (see page 21). This is an increase of \$1.71 million from the prior year. Of this amount, \$3.94 million constitutes

unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, 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 (\$6.72 million) or to pay debt service (\$0.12 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 \$3.96 million; the majority of this amount is classified as unassigned funds. The increase in fund balance from the prior year is a result of a prior period adjustment and increase in sales tax and building permits. 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 30.35% (3,935,838/12,971,458) of the total General Fund expenditures. The General Fund reported \$1.56 million in interfund loans used to defease GO Bonds. 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 \$2.015 million, an increase of \$.05 million from 2015. A majority of this fund balance is classified as assigned (\$1.97 million). The assigned amount is to be used for street construction and maintenance. During the current year, the City of Ellensburg began design work and continued additional work on major projects such as the Vantage/Pfenning road intersection, 7th Avenue bike boulevard development, and the Capital Avenue project. 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 \$2.42 million including \$1.40 million in debt service and \$1.02 million in construction.

Unrestricted net position was \$21.88 million, and the total net position for all proprietary funds was \$65.69 million. Of the \$21.88 million of unrestricted net position, there is \$20.25 million in cash and cash equivalents.

- The Gas Fund had an ending fund balance of \$7.80 million in 2016. This is a decrease of \$.653 million from 2015. 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.

CITY OF ELLENSBURG, WASHINGTON

Statement of Net Position December 31, 2016

	Governmental Activities	Business-type Activities	Primary Government Total
ASSETS			
Cash and cash equivalents	\$ 10,435,593	\$ 15,353,472	\$ 25,789,065
Deposits with fiscal agents	612,412	2,413	614,825
Investments	2,642,175	4,038,579	6,680,753
Receivables(net)			
Property taxes	190,950	-	190,950
Accounts	194,156	4,261,079	4,455,236
Internal balances	(1,176,675)	1,176,675	-
Due from other governments	727,264	345,931	1,073,195
Inventories	40,702	1,675,262	1,715,965
Restricted assets:			
Cash and cash equivalents	-	4,091,154	4,091,154
Deposits with fiscal agents	-	-	-
Net pension asset	814,646	-	814,646
Unamortized bond insurance premium	-	15,481	15,481
Capital assets, not being depreciated			
Land	12,814,618	1,149,114	13,963,732
Construction in progress	466,883	3,343,223	3,810,106
Capital assets, net (see note 5)			
Infrastructure	28,371,666	-	28,371,666
Buildings	5,392,909	8,064,512	13,457,421
Improvements & other buildings	1,457,120	39,400,407	40,857,526
Machinery & equipment	311,980	7,589,468	7,901,447
Total Assets	<u>63,296,400</u>	<u>90,506,769</u>	<u>153,803,169</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows debt refunding	-	402,153	402,153
Deferred outflows of resources pension	1,225,991	682,115	1,908,106
Total Deferred Outflows of Resources	<u>1,225,991</u>	<u>1,084,268</u>	<u>2,310,259</u>
LIABILITIES			
Accounts payable and accrued expenses	1,008,141	2,802,788	3,810,930
Due to other governments	9,123	-	9,123
Other liabilities	145,365	683,125	828,490
Non current liabilities (Note 8):			
Due within one year	787,601	1,388,240	2,175,841
Due in more than one year	6,901,122	18,029,007	24,930,129
Net pension liability	4,283,683	4,435,355	8,719,038
Total Liabilities	<u>13,135,035</u>	<u>27,338,515</u>	<u>40,473,551</u>
DEFERRED INFLOW OF RESOURCES			
Deferred gain on refunding	-	46,994	46,994
Deferred inflows of resources: pension	77,394	68,632	146,026
Total Deferred Inflows of Resources	<u>77,394</u>	<u>115,626</u>	<u>193,020</u>
NET POSITION			
Net investment in capital assets	45,402,406	41,387,428	86,789,834
Restricted:			
Net Pension Asset	814,646	-	814,646
Capital projects	490,842	-	490,842
Construction	-	1,016,656	1,016,656
Debt service	68,071	1,399,862	1,467,933
Transportation	1,398,696	-	1,398,696
Public Safety	673,765	-	673,765
Natural and Economic	488,882	-	488,882
Culture and Recreation	1,228,288	-	1,228,288
Unrestricted	744,366	20,332,952	21,077,317
Total Net Position	<u>\$ 51,309,961</u>	<u>\$ 64,136,898</u>	<u>\$ 115,446,859</u>

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, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government				Total
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General government	\$ 4,987,387	\$ 3,221,360	\$ 516,308	\$ 404,437	\$ (845,282)
Public safety	4,351,681	188,799	322,020	-	(3,840,862)
Transportation	5,377,812	421,968	-	1,253,213	(3,702,631)
Social Services	192,697	51,321	-	-	(141,376)
Natural and Economic	1,877,176	829,968	-	-	(1,047,208)
Culture & recreation	3,597,689	668,505	11,431	-	(2,917,753)
Interest on long-term debt	136,780	-	-	-	(136,780)
Total governmental	20,521,222	5,381,922	849,759	1,657,651	(12,631,890)
Business-type Activities					
Telecommunications	223,054	101,559	29,754	-	(91,740)
Stormwater	614,865	940,425	299,676	60,721	685,957
Gas	6,902,378	6,373,900	-	-	(528,478)
Light	15,870,961	15,059,595	-	-	(811,366)
Water	4,098,360	4,577,434	-	479,488	958,562
Sewer	3,821,961	3,925,393	-	260,452	363,885
Total business-type activities	31,531,578	30,978,306	329,431	800,661	576,819
Total Primary Government	\$ 52,052,800	\$ 36,360,228	\$ 1,179,190	\$ 2,458,312	(12,055,071)
General revenues:					
Taxes:					
Property taxes, levied for general purposes		2,801,913			2,801,913
Property taxes, levied for debt service		172,638			172,638
Sales & use taxes		6,052,351			6,052,351
Other taxes		3,258,196			3,258,196
Investment earnings				116,373	188,574
Miscellaneous				350,527	919,309
Disposition of capital assets(gain)				1,376	1,376
Transfers				89,500	(89,500)
Total general revenues and transfers				13,016,957	13,394,357
Change in net position				385,067	1,339,286
Net position - beginning				50,924,894	114,107,572
Net position - ending				\$ 51,309,961	\$ 115,446,858

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

City of Ellensburg, Washington

Balance Sheet

Governmental Funds

December 31, 2016

	General Fund*	Arterial Street**	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	\$ 3,769,020	\$1,837,457	\$4,025,204	\$9,631,680
Deposits with other agents	134,223	-	402,552	536,775
Investments	1,724,793	269,644	397,738	2,392,175
Receivables (net)				
Property Taxes	183,847	-	7,104	190,950
Accounts	167,229	8,066	18,861	194,156
Due from other funds	3,614	6,418	-	10,032
Due from other governments	430,332	96,506	200,427	727,264
Inventory	-	40,702	-	40,702
Total Assets	6,413,057	2,258,793	5,051,886	13,723,735
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	6,413,057	2,258,793	5,051,886	13,723,735
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	539,540	220,742	228,794	989,077
Due to other funds	38,004	23,017	3,929	64,950
Due to other governments	-	-	9,123	9,123
Other liabilities	134,223	-	-	134,223
Interfund Loan	1,559,657	-	-	1,559,657
Total Liabilities	2,271,424	243,759	241,846	2,757,030
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	183,847	-	7,104	190,950
Total Deferred Inflows of Resources	183,847	-	7,104	190,950
FUND BALANCE				
Nonspendable	-	40,702	-	40,702
Restricted	-	-	4,348,544	4,348,544
Committed	-	-	149,815	149,815
Assigned	21,948	1,974,331	304,577	2,300,856
Unassigned	3,935,838	-	-	3,935,838
Total Fund Balance	3,957,786	2,015,034	4,802,936	10,775,755
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,413,057	\$ 2,258,793	\$ 5,051,886	\$ 13,723,735

* General Fund includes Funds 001 (General Fund), 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, 2016

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	\$10,775,755
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The Internal Service Health and Benefit Fund (\$1,110,486) 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. In addition, the net effect of the intergovernmental revenue is removed from the fund balance. (\$2,107 for 2016).	1,108,379
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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 77)	3,395,243
OPEB Liability	3,401,339
Compensated Absences	766,295
Bond Issuance Premium	125,847
Accrued Interest on Bonds	11,142

Net adjustment to reduce fund balance - total of governmental funds to fet position of governmental funds	(7,699,866)
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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 \$48,815,176 difference is as follows: (page 17)

Land	12,814,618
Infrastructure	28,371,666
Building	5,392,909
Improvements	1,457,120
Machinery & Equipment	311,980
Construction in Progress	466,883
Net Adjustment to increase fund balance-total governmental funds to net position governmental funds	48,815,176

Other longterm assets are not available to be collected in current period revenues and therefore are deferred in the funds (deferred property tax \$190,950 (page 21)	190,950
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The net pension asset is not an available resource and therefore is not reported in the funds (page 17)	814,645
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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 51). 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.	440,007
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GASB 68 adjustments	
Contributions to the pension plan in the current fiscal year are deferred outflows of resources	1,225,991
Pension Liability	(4,283,683)
Pension related deferrals are inflows of resources	(77,394)
Net Adjustment to decrease fund balance-total governmental funds to net position governmental funds.	(3,135,086)

Net Position of Governmental Activities (page 17)	\$51,309,961
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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, 2016

	General Fund*	Arterial Street**	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 2,780,681	\$ -	\$ 171,092	\$ 2,951,773
Retail sales & use taxes	4,766,342	-	1,686,812	6,453,154
Other taxes	2,936,621	-	321,575	3,258,196
Licenses and permits	878,489	4,163	-	882,652
Intergovernmental	446,924	1,657,362	2,321	2,106,607
Charges for services	3,604,509	98,428	513,363	4,216,300
Fines & forfeits	279,704	-	3,266	282,970
Investment earnings	37,943	11,290	18,856	68,089
Miscellaneous	275,796	4,508	18,802	299,105
Total Revenues	16,007,009	1,775,750	2,736,087	20,518,846
EXPENDITURES				
Current:				
General Government	3,941,593	52,066	22,330	4,015,989
Public Safety	4,328,605	-	715,036	5,043,641
Transportation	101,480	3,124,732	218,444	3,444,656
Social Services	192,697	-	-	192,697
Natural and Economic	1,293,319	-	638,072	1,931,391
Culture & Recreation	3,007,073	-	295,679	3,302,751
Debt service				
Principal	-	-	240,000	240,000
Interest and other charges	18,347	-	132,755	151,102
Capital outlay	88,345	550,593	142,740	781,678
Total Expenditures	12,971,458	3,727,391	2,405,055	19,103,905
Excess (Deficiency) of Revenues Over Expenditures	3,035,550	(1,951,640)	331,031	1,414,941
OTHER FINANCING SOURCES (USES)				
Refunding bond proceeds	-	-	290,243	290,243
Disposition of capital assets	1,376	-	-	1,376
Transfers in	-	2,000,958	442,569	2,443,527
Transfers out	(1,965,966)	-	(678,304)	(2,644,270)
Compensation for Loss/Impairment of Capital Asset	-	-	200,000	200,000
Total other financing sources & uses	(1,964,590)	2,000,958	254,508	290,876
Net change in fund balance	1,070,960	49,318	585,539	1,705,817
Fund Balances-Beginning	2,964,143	1,965,716	4,140,080	9,069,939
Change in reporting (Note 17)	(77,317)	-	77,317	-
Fund Balances-Ending	\$ 3,957,786	\$ 2,015,034	\$ 4,802,936	\$ 10,775,756

* General Fund includes Funds 001 (General Fund), 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 categorized 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, 2016

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)	\$1,705,817
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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	781,678	
Depreciation Expense	(2,682,591)	
		(1,900,913)

The net effect of various miscellaneous transactions involving capital assets i.e. gain or loss on sales, trade ins, and donations (\$302,295) is to increase net position. The following is from donated assets.

302,295

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	(290,243)	
OPEB Liability	(493,844)	
Net Pension Liability/Net Pension Asset	(568,887)	
Compensated Absences	(221,196)	
Other Finance Sources, Uses, and expenditures resulting from debt issuance		
Bond Payments (Includes Refunded Amounts)	240,000	
Amortization of premiums	14,452	
Accrued Interest	(130)	
Debt Related Cost	254,322	
Net effect of Long-term Debt		(1,319,848)

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).

22,778

GASB 68 related transactions involving change in pension assets, adjustments to pension expense and LEOFF 2 Intergovernmental Revenues in the statement of activities that do not provide current financial resources are not recorded as transactions in the fund statements.

GASB 68 Deferred Outflows	615,111	
GASB 68 Deferred Inflows	925,366	
		1,540,477

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.

34,462

Change in net position of governmental activities (page 18)

\$385,067

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, 2016

	Budget- General Fund		Actual	*Other Funds	Total
	Original	Final			
REVENUES:					
Property taxes	\$ 2,850,856	\$ 2,850,856	\$ 2,780,681	\$ -	\$ 2,780,681
Retail sales & use taxes	329,824	\$ 329,824	400,803	4,365,540	4,766,342
Other taxes	3,206,004	3,206,004	2,936,621	-	2,936,621
Licenses and permits	376,250	376,250	878,489	-	878,489
Intergovernmental	259,369	290,983	446,924	-	446,924
Charges for services	3,843,606	3,852,099	3,604,509	-	3,604,509
Fines & forfeits	287,800	287,800	279,704	-	279,704
Investment earnings	13,000	13,000	30,297	7,646	37,943
Miscellaneous	191,224	194,224	275,796	-	275,796
Total Revenues	11,357,933	11,401,040	11,633,823	4,373,185	16,007,009
EXPENDITURES:					
Current:					
General Government					
City General	556,001	595,897	542,930	-	542,930
Finance	1,654,931	1,706,023	1,574,310	-	1,574,310
Managers	906,224	953,127	898,453	-	898,453
Engineering	944,118	952,118	925,900	-	925,900
Total General Government	4,061,274	4,207,165	3,941,593	-	3,941,593
Security of Person and Property					
City General	348,661	378,129	385,115	-	385,115
Police	4,436,707	4,421,207	3,943,395	96	3,943,490
Community Development	-	-	-	-	-
Total Security of Person and Property	4,785,368	4,799,336	4,328,510	96	4,328,605
Transportation					
City General	116,103	116,103	98,840	-	98,840
Finance	-	3,328	2,640	-	2,640
Total Transportation	116,103	119,431	101,480	-	101,480
Natural and Economic					
City General	60,537	60,537	128,700	-	128,700
Police	237,322	237,322	215,073	-	215,073
Community Development	987,272	1,070,442	949,547	-	949,547
Total Natural and Economic	1,285,131	1,368,301	1,293,319	-	1,293,319
Social Services					
City General	41,072	15,903	10,550	-	10,550
Parks and Recreation	156,604	156,604	182,147	-	182,147
Total Social Services	197,676	172,507	192,697	-	192,697
Culture & recreation					
City General	29,675	5,175	2,767	-	2,767
Parks and Recreation	2,121,630	2,154,867	2,029,383	-	2,029,383
Library	1,028,721	1,077,818	974,922	-	974,922
Total Culture and Recreation	3,180,026	3,237,860	3,007,073	-	3,007,073

Debt Service					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
City General	293,347	293,347	18,347	-	18,347
Total Debt Service	293,347	293,347	18,347	-	18,347
Capital outlay					
General	-	-	39,852	48,493	88,345
Total Expenditures	13,918,925	14,197,947	12,922,870	48,589	12,971,458
Excess (Deficiency) of Revenues Over Expenditures	(2,560,992)	(2,796,907)	(1,289,047)	4,324,597	3,035,550
OTHER FINANCING SOURCES (USES):					
Disposition of capital assets	-	-	-	1,376	1,376
Transfers in	1,856,000	1,888,280	1,844,520	-	1,844,520
Transfers out					
City General	-	(15,500)	(58,108)	(3,752,378)	(3,810,486)
Parks and Recreation	-	-	-	-	-
Total other financing sources & uses	1,856,000	1,872,780	1,786,412	(3,751,002)	(1,964,590)
Net change in fund balance	(704,992)	(924,127)	497,365	573,594	1,070,960
Fund Balance-Beginning	2,729,333	2,355,099	1,215,388	1,671,438	2,886,826
Fund Balances-Ending	\$ 2,024,341	\$ 1,430,972	\$ 1,712,753	\$ 2,245,032	\$ 3,957,786

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

** 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 123

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2016

	Budget		Actual	*Other Funds	Total
	Original	Final			
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Retail sales & use taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Licenses and permits	4,000	4,000	4,163	-	4,163
Intergovernmental	118,787	2,679,462	1,373,024	284,338	1,657,362
Charges for services	-	-	29,314	69,114	98,428
Fines & forfeits	-	-	-	-	-
Investment earnings	500	500	7,305	3,985	11,290
Miscellaneous	-	-	409	4,099	4,508
Total Revenues	123,287	2,683,962	1,414,215	361,535	1,775,750
EXPENDITURES:					
Current:					
General Government	-	-	-	52,066	52,066
Judicial Services	-	-	-	-	-
Public Safety	-	-	-	-	-
Utilities	-	-	-	-	-
Transportation	-	1,626,733	1,515,257	1,609,475	3,124,732
Social Services	-	-	-	-	-
Natural and Economic	-	-	-	-	-
Culture & Recreation	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	933,000	4,760,355	550,593	-	550,593
Total Expenditures	933,000	6,387,088	2,065,849	1,661,541	3,727,391
Excess (Deficiency) of Revenues Over Expenditures	(809,713)	(3,703,126)	(651,634)	(1,300,006)	(1,951,640)
OTHER FINANCING SOURCES (USES):					
Bond issue proceeds	-	-	-	-	-
Bond premiums	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-
Disposition of capital assets	-	-	-	-	-
Transfers in	757,000	2,377,086	680,958	1,320,000	2,000,958
Transfers out	-	-	-	-	-
Total Other Financing Sources & Uses	757,000	2,377,086	680,958	1,320,000	2,000,958
Net Change in Fund Balance	(52,713)	(1,326,040)	29,324	19,994	49,318
Fund Balances-Beginning	432,772	1,637,825	1,005,981	959,735	1,965,716
Fund Balances-Ending	\$ 380,059	\$ 311,785	\$ 1,035,305	\$ 979,729	\$ 2,015,034

* Other funds includes Fund 120 (Street), see page 138 for budget details

CITY OF ELLENSBURG, WASHINGTON

Statement of Fund Net Position
Proprietary Funds
December 31, 2016

ASSETS

Current assets:

Cash and cash equivalents
Deposits with fiscal agents
Investments
Receivables(net)
Accounts
Due from other funds
Due from other governments
Interfund loan receivable
Inventories

Restricted assets:

Cash and cash equivalents
Total current assets

Noncurrent assets:

Capital assets, net

Land
Buildings
Improvements
Machinery & equipments
Construction in progress
Less accumulated depreciation
Unamortized bond insurance premium
Total noncurrent assets

Total Assets

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows debt refunding
Deferred outflows of resources pension
Total Deferred Outflows of Resources

	Enterprise Funds					
	Major			Non-Major		
	Gas	Electric	Water	Sewer	Funds	Total
\$ 1,480,885	\$ 3,171,635	\$ 1,896,338	\$ 2,148,845	\$ 794,114	\$ 9,491,818	\$ 6,665,567
-	-	1,251	1,162	-	2,413	75,637
339,977	500,000	1,161,199	848,471	235,361	3,085,008	1,203,570
1,300,370	2,061,496	370,074	413,835	115,233	4,261,007	72
15,060	45,252	13,266	1,943	4,873	80,394	20,148
-	1,948	-	-	340,873	342,821	3,110
-	1,559,657	-	-	-	1,559,657	-
554,085	849,830	183,587	21,624	-	1,609,125	66,137
847,815	1,431,346	1,108,890	703,103	-	4,091,154	-
4,538,191	9,621,164	4,734,605	4,138,983	1,490,455	24,523,397	8,034,241
124,208	522,268	29,623	32,290	-	708,389	440,725
525,940	2,618,801	3,243,731	4,730,235	458,451	11,577,159	1,340,345
12,951,850	22,231,760	19,950,839	15,555,578	2,753,771	73,443,798	323,678
612,087	7,836,675	2,798,669	3,096,485	214,086	14,558,002	6,524,533
18,083	393,561	1,655,138	737,902	371,510	3,176,194	167,029
(8,374,016)	(15,920,017)	(11,011,939)	(11,178,897)	(435,910)	(46,920,778)	(5,792,350)
-	15,481	-	-	-	15,481	-
5,858,152	17,698,529	16,666,061	12,973,594	3,361,908	56,558,244	3,003,960
10,396,343	27,319,693	21,400,666	17,112,577	4,852,363	81,081,642	11,038,201
-	-	208,476	193,677	-	402,153	-
153,097	274,299	76,548	108,444	25,516	637,904	44,211
153,097	274,299	285,025	302,121	25,516	1,040,057	44,211

Continue on Next Page

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	775,703	1,382,095	250,334	154,157	76,732	2,639,021	182,832
Due to other funds	351	2,229	8,623	25,755	153	37,111	8,513
Other liabilities	1,504	23,535	24,629	18,347	615,109	683,125	-
Due within one year	93,963	426,851	586,960	227,683	9,755	1,345,213	43,027
Total current liabilities	871,521	1,834,712	870,546	425,942	701,749	4,704,470	234,372
Non current liabilities:							
Due in more than one year	896,182	7,866,016	5,456,028	3,716,193	19,775	17,954,195	74,812
Net pension liability	969,921	1,778,910	473,481	703,290	211,398	4,136,999	298,356
Total noncurrent liabilities	1,866,103	9,644,926	5,929,509	4,419,483	231,173	22,091,195	373,168
Total Liabilities	2,737,624	11,479,638	6,800,055	4,845,425	932,922	26,795,664	607,539

DEFERRED INFLOWS OF RESOURCES

Deferred gain on refunding	-	22,442	20,378	4,174	-	46,994	-
Deferred pension inflows	15,404	27,599	7,702	10,911	2,567	64,184	4,448
Total Deferred Inflows of Resources	15,404	50,041	28,080	15,085	2,567	111,178	4,448

NET POSITION

Net investment in capital assets	4,999,137	10,108,048	10,750,963	9,163,412	3,361,908	38,383,468	3,003,960
Restricted:							
Debt service	-	604,525	510,518	284,818	-	1,399,862	-
Construction	-	-	598,372	418,284	-	1,016,656	-
Unrestricted	2,797,274	5,351,740	2,997,702	2,687,673	580,482	14,414,871	7,466,465
Total Net Position	\$ 7,796,411	\$ 16,064,313	\$ 14,857,556	\$ 12,554,188	\$ 3,942,390	\$ 55,214,857	\$ 10,470,425

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net position of business-type activities

8,922,041
<u>\$ 64,136,898</u>

For the Year Ended December 31, 2016

Change in net position of business-type activities (page 18)

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CITY OF ELLENSBURG, WASHINGTON

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers
 Receipts for interfund services provided
 Payments to suppliers
 Payment for interfund services used
 Payments to employees
 Other Operating Cash Receipts

Net Cash Provided by Operating Activities

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in
 Transfers out
 Interfund loan receivable (payable)

Net Cash Provided (Used) by Noncapital Activities

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contribution
 Loan/grant proceeds
 Proceeds from sales of assets
 Purchases of capital assets
 Principal paid on capital debt
 Interest paid on capital debt
 Debt cost on capital debt

Net Cash from Related Financing Activities

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments
 Net investment purchases
 Interest and dividends

Net Cash Provided (Used) by Investing Activities

Net Increase (Decrease) in Cash and Cash Equivalents

Balances - Beginning of the Year

Balances - End of the Year

Enterprise Funds						
Major				Non Major		
Gas	Electric	Water	Sewer	Funds	Total	Internal service Funds
\$ 6,484,114 (2,765) (3,818,473) (970,164) (1,280,536)	\$ 14,944,718 169,977 (11,734,166) (1,484,827) (1,811,173)	\$ 4,573,097 32,562 (1,373,453) (965,918) (733,491)	\$ 3,909,136 16,381 (1,056,779) (895,888) (1,003,364)	\$ 758,297 13,955 (168,122) (207,604) (257,678)	\$ 30,669,362 230,110 (18,150,994) (4,524,401) (5,086,242)	\$ 184,454 5,509,811 (3,657,981) (107,377) (1,045,108) 21,423 905,223
412,175	84,528	1,532,797	969,485	138,849	3,137,835	
-	-	-	-	330,743	330,743	-
-	-	-	-	(130,000)	(130,000)	-
-	275,000	-	-	(283,943)	(8,943)	283,943
-	275,000	-	-	(83,200)	191,800	283,943
-	-	359,618	190,248	-	549,866	423,625
859,015	-	-	-	29,754	888,769	-
-	-	-	-	-	-	1,268
(310,360)	(1,506,146)	(788,504)	(692,107)	(179,269)	(3,476,386)	(787,261)
-	(315,000)	(134,322)	199,292	-	(250,030)	-
-	(288,725)	(601,694)	(495,183)	(2,603)	(1,388,205)	-
(11,200)	(450)	(373)	-	(6,300)	(18,323)	-
537,455	(2,110,321)	(1,165,275)	(797,750)	(158,418)	(3,694,309)	(362,369)
-	-	-	-	-	-	(250,000)
207	(500,000)	98,086	151,859	(35,361)	(285,209)	(100,043)
9,362	42,894	32,464	26,417	6,781	117,918	31,320
9,569	(457,106)	130,550	178,276	(28,580)	(167,291)	(318,723)
959,200	(2,207,899)	498,072	350,011	(131,349)	(531,965)	508,074
1,369,499	6,810,880	2,508,407	2,503,099	925,463	14,117,349	6,233,130
\$ 2,328,699	\$ 4,602,981	\$ 3,006,480	\$ 2,853,110	\$ 794,114	\$ 13,585,384	\$ 6,741,204

Continued on next page

**Reconciliation of operating income
(loss) to net cash provided
(used) by operating activities:**

Operating income (loss)	\$	(647,909)	\$	(869,484)	\$	653,683	\$	186,860	\$	140,794	\$	(536,055)	\$	334,173
Adjustments to reconcile operating income to net cash provided (used) by operating activities:														
Depreciation expense		464,753		880,025		603,500		490,042		156,698		2,595,017		413,908
Change in assets and liabilities:														
Receivables, net		122,509		92,261		18,157		(4,446)		(2,988)		225,492		(72)
Due from other funds		(15,060)		(35,827)		9,789		2,569		(4,873)		(43,401)		(9,478)
Due from other governments		-		(1,335)		280		2,000		(261,870)		(260,925)		2,142
Inventories		35,144		140,998		2,928		(2,700)		-		176,369		6,589
Accounts and other payables		184,814		(655,192)		90,654		56,892		61,888		(260,943)		(3,272)
Due to other funds		(3,562)		(2,408)		8,085		20,080		134		22,329		8,435
Employee benefits		(4,460)		43,284		7,134		23,595		5,734		75,288		29,186
Deferred outflows of resources		(91,009)		(158,220)		(46,854)		(62,552)		(9,319)		(367,954)		(21,151)
Deferred inflows of resources		(74,908)		(141,245)		(35,491)		(55,841)		(20,992)		(328,478)		(32,687)
Net pension liability		441,863		791,671		220,931		312,986		73,644		1,841,095		177,449
Net Cash Provided by Operating Activities	\$	412,175	\$	84,528	\$	1,532,797	\$	969,485	\$	138,849	\$	3,137,834	\$	905,223

Noncash Investing, capital, and financing activities:

Contributions of capital assets	-	-	101,365	23,150	60,721	-
Purchase of equipment on account	310,360	1,506,146	788,504	692,107	46,019	-

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

There are differences between the December 31, 2016 Balances - Beginning of the Year compared to December 31, 2015 Balances - End of the Year due to uncorrected prior years balances. Prior year's statements included investments and cash and cash equivalents instead of cash and cash equivalents only.

City of Ellensburg, Washington

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2016

	Fire Relief and Pension Fund	Agency Fund
ASSETS		
Cash	\$ 364,447	\$ 208,565
Investments	24,971	-
Receivable (Net)	-	1,223
Special Assessments	-	288,020
Total Assets	389,418	497,807
LIABILITIES		
Accounts Payable	4,098	-
Notes Payable		288,020
Other Liabilities	-	209,787
Total Liabilities	4,098	497,807
NET POSITION		
Net Pension Restricted for Pensions - Beginning	332,744	-
Net Pension Restricted for Pensions - Ending	385,320	
Total Net Position	\$ 385,320	\$ -

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, 2016

	Fire Relief and Pension Fund
ADDITIONS	
Contributions:	
Employer	\$ 141,081
State	\$ 20,418
Total Contributions	161,499
Investment Earnings:	
Interest	1,855
Total Investment Earnings	1,855
Total Additions	163,354
DEDUCTIONS	
Benefits	107,779
Administrative Expenses	3,000
Total Deductions	110,779
CHANGE IN NET POSITION	52,576
Net Pension Restricted for Pensions - Beginning	332,744
Net Pension Restricted for Pensions - Ending	385,320
Total Net Position	\$ 385,320

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

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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 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. Internally dedicated

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

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.

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), 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.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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.

Ellensburg Public Transit- A fund used to account for the monies derived from a voter approved 2/10 of one percent retail sales tax and the use thereof.

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.

Art Acquisitions- A fund established in 2016 to fund public art acquisition and promotion.

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

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

the remodel and expansion of the City of Ellensburg Library.

G.O. Telecommunications Debt- A fund used to account for the payment of debt on the Telecommunications infrastructure.

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 Firefighters' Pension Fund (RCW 41.16.050), which accumulates resources for pension benefit and postretirement health care benefit payments to qualified public safety employees

Agency Funds - The City of Ellensburg has three agency funds. (1) The LID Guarantee Fund, (2) the 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)

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

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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 proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

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

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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.

(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, 2016, in no department did expenditures exceed appropriations.

E. Assets, Liabilities, Fund Balance, Net Position

(1) Cash and Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2016, the treasurer was holding \$ 30,495,044 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.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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 2016 was approximately \$2,444,268.36.

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, 2016, the balance of special assessments receivable was \$288,020. 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 13.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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 8).

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

Cash and Investments - Debt Service	1,551,977
Cash and Investments - Construction	2,539,177
Total Restricted Assets	<u>\$ 4,091,154</u>

(7) Capital Assets and Depreciation

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.

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.

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 capital assets worth individual or system cost of \$50,000 or more are also capitalized. Such assets are recorded at historical cost or estimated historical

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

cost if purchased or constructed. Donated capital assets are recorded at acquisition 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:

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

(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

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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.

(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, 2016 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 the Fire Relief and Pension Fund, (a single employer defined benefit plan of which the City of Ellensburg is the administrator), and additions to/deductions from those plans'

Fund, (a single employer defined benefit plan of which the City of Ellensburg is the administrator), 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, or in the case of the Fire Relief and Pension Fund, the plan. 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.

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.

(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.

City of Ellensburg, Washington
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Fund	Amount Restricted	Reason for Restriction
Traffic Impact (125)	\$ 1,295,754	Restricted by third party (state law), revenue must be used for traffic purposes
Transportation Benefit District (127)	\$ 102,942	Restricted by third party (voted sales tax revenue, restricted by law), revenue must be used for public transportation
Criminal Justice (130)	\$ 655,079	Restricted by third party (voted sales tax revenue, restricted by law), revenue must be used for public safety purposes
Drug (137)	\$ 18,686	Restricted by third party (state law), revenue must be used for public safety drug investigation purposes
Park Acquisition (160)	\$ 483,132	Restricted by third party (state law), revenue must be used for the development of parks
Lodging Tax (165)	\$ 488,882	Restricted by third party (state law), revenue must be used for expenditures relating to tourism
Library Construction (230)	\$ 68,071	Restricted by third party (voted on by citizens), revenue must be used for the repayment of debt
Sidewalk Improvements (366)	\$ 490,842	Restricted by third party (state law), revenue must be used for sidewalk developments
Library Trust (605)	\$ 288,558	Restricted by third party (restricted donations), revenue must be used for the purpose of library operations
Hal Holmes Trust (621)	\$ 456,599	Restricted by third party (restricted donations), governed by a separate board, revenue must be used for the purpose of Hal Holmes and Library facilities

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.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

(17) Fund Balance Detail

Balance Sheet	Fund Balance			
	Major			Total
	General Fund *	Arterial Street **	Other Funds	
Fund Balances				
Nonspendable		-		-
Inventory		\$40,702		\$ 40,702
Permanet Fund Principal				-
Total Nonspendable		40,702		40,702
Restricted for:				-
Transportation		-	1,398,696	1,398,696
Public Safety			673,765	673,765
Parks and Recreation			1,228,288	1,228,288
Economic Environment			488,883	488,883
Debt Service			68,071	68,071
Capital			490,842	490,842
Total Restricted		-	4,348,545	4,348,545
Committed to:				-
Economic Environment			149,815	149,815
Total Committed			149,815	149,815
Assigned to:				-
Transportation		1,974,331	187,847	2,162,178
Public Safety	21,948		10,662	32,610
Economic Environment			14,901	14,901
Parks and Recreation			17,460	17,460
Debt Service			51,392	51,392
Capital Projects			22,315	22,315
Total Assigned	21,948	1,974,331	304,577	2,300,856
Unassigned	3,935,838	-	-	3,935,838
Total Fund Balance	\$ 3,957,786	\$ 2,015,034	\$ 4,802,937	\$ 10,775,756

*General Fund includes the City 001, 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

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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.

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 \$32,456. 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 130)	\$10,470,425
Less: Health and Benefits Fund (Adjusted for 2016 Internal Service Allocation)	(\$1,108,377)
Internal Service Funds Governmental-Type Activities Portion (page 22)	(440,007)
Government-Wide Statement of Net Position for Business Type (page 29)	<u>\$8,922,041</u>

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

City of Ellensburg, Washington
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For the Year Ended December 31, 2016

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 130)	\$790,385
Internal Service Fund Governmental Type Activities Portion (page 24)	(34,462)
Internal Service Fund Allocated to Other Internal Service Funds	7,173
Government-Wide Statement of Changes in Net Position for Internal Service Funds (page 30)	<u>\$763,096</u>

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, 2016, the bank balance was \$30,495,044; of the bank balance \$250,000 was covered by Federal Depository insurance. \$26,615,829 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

Cash and investments are managed under the guidance of the City's Investment Policy. Safety of principal is the foremost objective of the City's investment program. Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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. Other property and investments are shown on the statement of net position (other property consists of real estate held for future use).

Investments Measured at Amortized Cost

As of December 31, 2016, the City of Ellensburg held the following investments at amortized costs

Type of Investment	Maturities	City's own investments	Total
State Investment Pool	various	\$ 26,615,829	\$ 26,615,829

Custodial 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 2a7-like 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 safekeeping and custody provided by the Local Government Investment Pool (LGIP) is dictated by RCW 39.58 and requires all purchased securities to be bought on a delivery versus payment basis. Additionally, withdrawals and deposits to the LGIP are conducted electronically through the State of Washington's Secure Access Management system.

Restrictions and Limitations-To provide safety and liquidity of LGIP funds, the investment portfolio is subject to limitations and restrictions. The minimum transaction limitation for the investment pool is \$5,000 for deposits and withdrawals. There is no formal maximum transaction size; however, to more accurately project daily cash flows, the LGIP requests notification of a deposit or withdrawal of ten million dollars (\$10,000,000) or more at least a day prior to transfer. All restrictions are based on a settlement date basis. Eligible investments are only those securities and deposits authorized by statute. The investments of cash collateral and securities accepted as collateral by a securities lending agent are subject to the restrictions of RCW 39.58 and RCW 43.84.080. Additionally, the State Treasurer requires reimbursement for the administration and recovery of costs associated with the operation of the LGIP. The administrative fee accrues daily and is deducted from the earnings distributed to the participant. If there are no earnings, the fee is deducted from the principal. The pool is unrated.

Investments Measured at Fair Value

Fair Value Measurements- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market. The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2016, the City had the following investments measured at fair value:

Hal Holmes trust fund securities of \$402,552, held by Bank of America, are valued using quoted market prices (Level 1 inputs);

U.S. Treasury securities of \$1,476,684 and the Federal Agency securities of \$5,190,396, held by the City's Safekeeping Operations at U.S. Bank, valued using a matrix pricing model (Level 2 inputs). The mortgage backed security, totaling \$4, also held by the City's Safekeeping Operations, valued using discounted cash flow techniques, was classified as a Level 3 input.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

Investments and Derivative Instruments Measured at Fair Value

Fair Value Measurements Using

Investments by fair value level	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bankers' Acceptance	various			\$ -
Debt Securities				
U.S. Treasury Notes	1,476,684		1,476,684	
Federal Agency securities	5,190,396		5,190,396	
Mortgage Backed Securities	4			4
Held by Trustee:				
Hal Holmes Memorial Trust	402,552	402,552		
Total Investments	\$ 7,069,635	\$ 402,552	\$ 6,667,079	\$ 4

**Reconciliation of both
Amortized and FV**

	12/31/2016	investments	state pool
Governments	\$ 11,358,384	\$ 2,386,012	\$ 8,972,372
Business type activities	13,982,936	3,057,114	10,925,823
Internal Service	7,305,718	1,198,993	6,106,725
Fiduciary	1,038,426	427,516	610,910
	\$ 33,685,464	\$ 7,069,635	\$ 26,615,829

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 gain in market value of investment in the amount of \$16,996. The Hal Holmes Trust Fund is held by a third party, Bank of America.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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 \$5.90 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 2016 was \$ 2.231290 per \$1,000 on an assessed valuation of \$1,279,920,253 for a total regular levy of \$2,855,873. In addition, the levy for debt service on a voter approved bond issue was \$0.137978 per \$1,000 on an assessed valuation of \$1,268,315,853 for a total of \$175,000.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

5. CAPITAL ASSETS AND DEPRECIATION

A. Governmental Activities Capital Assets

Asset	Beginning Balances 1/1/2016	Increase	Decrease	Ending Balance 12/31/2016
Capital assets, not being depreciated				
Land	\$ 12,814,618	\$ -		\$ 12,814,618
Construction In progress	188,056	319,701	40,874	466,883
Total	13,002,674	319,701	40,874	13,281,501
Capital assets, being depreciated				
Buildings	11,534,902	-		11,534,902
Improvements other than building	3,502,666	114,465		3,617,131
Machinery & equipment	1,029,519	156,193	37,164	1,148,548
Infrastructure	64,981,766	534,487	-	65,516,253
Total	81,048,853	805,145	37,164	81,816,834
Less accumulated depreciation for				
Buildings	5,843,601	298,392		6,141,993
Improvements other than buildings	1,950,804	296,907		2,247,711
Machinery & equipment	748,785	124,947	37,164	836,568
Infrastructure	35,094,543	1,962,345		37,056,888
Total	43,637,734	2,682,591	37,164	46,283,160
Total capital assets, being depreciated, net	37,411,119	(1,877,446)	-	35,533,674
Total	\$ 50,413,793	\$ (1,557,745)	\$ 40,874	\$ 48,815,176

- The significant increase in construction in progress is due to the start of the Vantage/Phenning signal project.
- The decrease in machinery and equipment is the surplus of Police vehicles. The increase is the addition of two police vehicles, police video equipment, audio video equipment for the council chambers, and dog park improvements including fencing, irrigation and fountains.
- 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	\$216,155
Security of Person	\$71,833
Culture and Recreation	\$418,282
Transportation	\$1,976,321
Total	\$2,682,591

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

Net Investment in Capital Assets

Governmental Activities

Capital assets not being depreciated	\$ 13,281,501
Capital assets being depreciated	81,816,834
Less accumulated depreciation	(46,283,160)
Less GO Bonds	(3,105,000)
Less LTGO Telecom Taxable	(290,243)
Less bond premium and accrued interest	(136,989)
Plus Bond Cash	119,463
Governmental Activities, net investment in capital assets	<u>\$ 45,402,407</u>

B. Proprietary Fund Capital Assets

Capital assets of proprietary funds are capitalized in their respective balance sheets. 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.

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.

Business Type Assets	Beginning Balances 1/1/2016	Increase	Decrease	Ending Balance 12/31/2016
Capital Assets, not being depreciated				
Land	\$ 1,149,112	\$ -	\$ -	\$ 1,149,112
Construction in progress	5,215,122	1,549,461	3,421,357	3,343,223
Total	6,364,234	1,549,461	3,421,357	4,492,335
Capital Assets, being depreciated				
Building	10,507,683	2,409,822		12,917,505
Improvements other than building	70,508,453	3,305,608	46,585	73,767,476
Machinery & equipment	20,387,629	1,025,955	331,050	21,082,534
Total	101,403,765	6,741,385	377,635	107,767,515
Less accumulated depreciation for				
Building	4,514,245	338,748		4,852,993
Improvements other than building	32,678,896	1,734,756	46,585	34,367,067
Machinery & equipment	12,833,324	935,422	275,680	13,493,066
Total	50,026,465	3,008,925	322,265	52,713,126
Total capital assets, being depreciated,	51,377,300	3,732,460	55,371	55,054,390
Total	\$ 57,741,534	\$ 5,281,921	\$ 3,476,728	\$ 59,546,724

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

Accumulated Depreciation & Depreciation Expense- Depreciation expense was charged to proprietary funds as follows:

Business-Type Activities	Amount
Utilities	\$2,595,017
Internal Service	\$413,908
Total	\$3,008,925

Net Investment in Capital Assets

Enterprise Activities

	Telecommunications	Storm Water	Gas	Electric
Capital assets	\$ 1,789,150	\$ 2,008,668	\$ 14,232,168	\$ 33,603,065
Less accumulated depreciation	(230,672)	(205,238)	(8,374,016)	(15,920,017)
Less bond payable (current and L-T)			(859,015)	(7,575,000)
Enterprise Activities, net investment in capital assets	\$ 1,558,479	\$ 1,803,430	\$ 4,999,137	\$ 10,108,048

Net Investment in Capital Assets

Enterprise Activities

	Water	Sewer	Equipment and Revolving	Information Services
Capital assets	\$ 27,678,000	\$ 24,152,490	\$ 8,030,866	\$ 765,443
Less accumulated depreciation	(11,011,939)	(11,178,897)	(5,181,087)	(611,263)
Less bond payable (current and L-T)	(5,915,098)	(3,810,182)		
Enterprise Activities, net investment in capital assets	\$ 10,750,963	\$ 9,163,412	\$ 2,849,779	\$ 154,181

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 2016 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 2016 either have an indefinite life or was internally generated (i.e. computer software). All intangible asset received in 2016 did not meet the threshold for reporting purposes.

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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 2016:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	\$ 8,719,038
Pension Assets	\$ 814,646
Deferred Outflows of Resources	\$ 1,908,106
Deferred Inflows of Resources	\$ 146,026
Pension Expense	\$ 1,102,087

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

City of Ellensburg, Washington
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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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	11.18%	6.00%

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

The City's actual contributions to the plan were \$17,561 for the year ended December 31, 2016.

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

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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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%

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

The City's actual contributions to PERS Plan 2/3 the plan were \$523,831 for the year ended December 31, 2016.

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.

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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 2016. 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 2016 were as follows:

City of Ellensburg, Washington
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LEOFF Plan 2				
Actual Contribution Rates:			Employer	Employee
State and local governments			5.05%	8.41%
Administrative Fee			0.18%	
Total			5.23%	8.41%
Ports and Universities			8.41%	8.41%
Administrative Fee			0.18%	
Total			8.59%	8.41%

The City's actual contributions to the plan were \$110,389 for the year ended December 31, 2016.

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, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$42,179.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, 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.

City of Ellensburg, Washington
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For the Year Ended December 31, 2016

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.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

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, 2016, 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.

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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.

	1% Decrease	Current Discount Rate	1% Increase
	(6.5%)	(7.5%)	(8.5%)
PERS 1	\$ 4,658,171	\$ 3,862,819	\$ 3,178,369
PERS 2/3	8,144,423	4,423,480	(2,302,677)
LEOFF 1	(242,554)	(408,313)	(549,999)
LEOFF 2	1,139,469	(406,333)	(1,571,418)

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, 2016, the City reported a total pension liability of \$ 8,286,299 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$3,862,819
PERS 2/3	4,423,480

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At June 30, 2016, the City reported a total pension asset of \$ 814,645 for its proportionate share of the net pension asset as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	\$408,313	\$406,333
State's proportionate share of the net pension asset associated with the employer	2,761,817	264,899
TOTAL	3,170,129	671,232

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.069607%	0.071927%	0.002320%
PERS 2/3	0.084596%	0.087856%	0.003260%
LEOFF 1	0.039784%	0.039631%	-0.000153%
LEOFF 2	0.071938%	0.069861%	-0.002077%

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 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, 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 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

City of Ellensburg, Washington
Notes to Basic Financial Statements
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Pension Expense

For the year ended December 31, 2016, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$335,775
PERS 2/3	681,025
LEOFF 1	(51,278)
LEOFF 2	136,566
TOTAL	\$1,102,088

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, 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	\$97,260	
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	214,593	
TOTAL	\$311,853	

PERS Plan 2-3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$235,547	(\$146,026)
Net difference between projected and actual investment earnings on pension plan investments	541,306	
Changes of assumptions	45,720	
Changes in proportion and differences between contributions and proportionate share of contributions	169,117	
Contributions subsequent to the measurement date	268,184	
TOTAL	\$1,259,874	(\$146,026)

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LEOFF 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	\$41,504	
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL	\$41,504	

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$55,679	
Net difference between projected and actual investment earnings on pension plan investments	146,012	
Changes of assumptions	1,532	
Changes in proportion and differences between contributions and proportionate share of contributions	19,359	
Contributions subsequent to the measurement date	56,991	
TOTAL	\$279,573	

TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$291,226	(\$146,026)
Net difference between projected and actual investment earnings on pension plan investments	\$826,082	\$0
Changes of assumptions	\$47,252	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$188,476	\$0
Contributions subsequent to the measurement date	\$539,768	\$0
TOTAL	\$1,892,804	(\$146,026)

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, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as:

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For the Year Ended December 31, 2016

Year ended December 31:	PERS 1
2017	(\$23,947)
2018	(\$23,947)
2019	\$89,323
2020	\$55,832
2021	
Thereafter	\$97,260

Year ended December 31:	PERS 2/3
2017	\$62,806
2018	\$62,806
2019	\$457,076
2020	\$262,975
2021	
Thereafter	\$845,664

Year ended December 31:	LEOFF 1
2017	(\$8,577)
2018	(\$8,577)
2019	\$35,946
2020	\$22,713
2021	
Thereafter	\$41,504

Year ended December 31:	LEOFF 2
2017	\$2,094
2018	\$2,094
2019	\$124,725
2020	\$87,142
2021	\$6,527
Thereafter	\$222,581

A. Single Employer Defined Benefit Plan

Pension Amounts - Firefighter Pension Fund	
Pension Liabilities	\$ 432,739
Pension Assets	\$ -
Deferred Outflows of Resources	\$ 15,302
Deferred Inflows of Resources	\$ -
Pension Expense	\$ -

City of Ellensburg, Washington
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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, 2016 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.

Firefighters' Pension Fund (RCW 41.16.050) – The state contributes 25% of the taxes on fire insurance premiums to these plans and is considered a non-employer contributing entity. The amount of these contributions received in 2016 was \$20,418. This is not considered a special funding situation.

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, 2016. As of this date, the assets valued at market were \$ 0.385 million and the actuarial present value of future benefits was \$ 0.818 million with unfunded actuarial accrued liabilities of \$ 0.433 million. The assets of the fund, along with future revenues from state fire insurance taxes and investment earnings are

City of Ellensburg, Washington
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not sufficient to pay all future pension benefits, resulting in an actuarial deficiency. During the FY 2016 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.

Assumptions and Other Inputs

The fact that excess benefits increased less than anticipated over the past two years led to a decrease in liability. Further decreasing liabilities was the change in economic assumptions. The discount rate was raised from 3.50% to 3.75%. A higher discount rate results in a lower present value of measured liabilities.

Actuarial Cost Method – The City uses the Entry Age Cost Method. This funding method meets the parameters required for GASB disclosure requirements.

The City's Firefighters' Pension Fund is a closed group. No new members are permitted.

Valuation of Assets – All assets are carried on a market value basis.

Investment Earnings – The future investment earnings of the assets of the City's Firefighters' Pension Fund are assumed to accrue at an annual rate of 3.75%.

Postretirement Benefit Increases – Certain benefits increase at the same rate as the salaries for active members of the same rank the retiree had attained at retirement. These salaries were assumed to increase at the rate of 3.25% per annum in the long term.

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

City of Ellensburg, Washington
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Changes in Net Pension Liability

	Increase (Decrease)		
	Plan		
	Total	Fiduciary	
	Pension	Net	Net Pension
	Liability	Position	Liability (a)
Changes in Net Pension Liability	(a)	(b)	- (b)
Balances as of December 31, 2015	\$859,906	\$332,744	\$527,162
Charges for the year:			
Service Cost	-		-
Interest on total pension liability	29,424		29,424
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(11,766)		(11,766)
Effect of assumptions changes or inputs	(20,701)		(20,701)
Benefit Payments	(38,805)	(38,805)	-
Medical payments from fund		(68,974)	68,974
Employer contributions		141,081	(141,081)
Contributions from state fire insurance premium tax		20,418	(20,418)
Net investment income		1,855	(1,855)
Administrative expenses		(3,000)	3,000
Balances as of December 31, 2016	818,058	385,319	432,739

Sensitivity Analysis

The following presents the net pension liability of the City, calculated using a discount rate of 3.75%, 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 (2.75%) or 1 percentage higher (4.75%) than the current rate.

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total pension liability	\$905,873	\$818,058	\$742,629
Fiduciary net position	385,319	385,319	385,319
Net pension liability	\$520,554	\$432,739	\$ 357,310

The schedule of funding progress for the post-employment 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 89.

City of Ellensburg, Washington
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At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

Firefighters' Pension Fund	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	\$15,302	
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
TOTAL	\$15,302	

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, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	FPF
2017	\$4,389
2018	\$4,389
2019	\$4,389
2020	\$2,135
2021	
Thereafter	\$15,302

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 168 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

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, 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, 2016, 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 \$ 75,000 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 million in operating revenues in 2016. In 2016 the City had \$ 0 in stop loss recoveries. The City has not exceeded the insurance coverage in the first 5 years of the program.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

	2016	2015	2014	2013
Year to Date medical claims	\$1,184,859	\$ 942,510	\$1,866,557	\$930,996
Year to Date Pharmacy Claims	226,856	215,232	202,824	217,563
Run-out Claims*	-	-	-	-
Less Eligible Individual Stop Loss Recoveries	-	-	494,012	21,213
Less Prior Contract Year Service Date Claims	165,537	36,578	275,298	109,378
Less Vision Claims	25,278	3,856	26,194	26,889
Less Voids	236			
less Refunded Claims	5,077	18,207	3,347	6,239
Total Aggregate Stop Loss Claims	<u>\$1,215,587</u>	<u>\$1,099,101</u>	<u>\$1,270,530</u>	<u>\$984,840</u>

*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, 2016, the debt limits of the City were as follows:

Assessed Value	1,279,920,253		
	Without a Vote	With a Vote	
		2.50%	5.00%
Legal Limit	\$ 19,198,804	\$ 31,998,006	\$ 63,996,013
Applicable Outstanding Debt	2,460,243	3,395,243	3,395,243
Available Assets	39,889	115,562	115,562
Margin Available	\$ 16,778,450	\$ 28,718,325	\$ 60,716,332

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

City of Ellensburg, Washington
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For the Year Ended December 31, 2016

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	2022	3.90%	1,310,000	120,000	935,000
2010 GO Bond - Maintenance	2030	3.00%	2,935,000	135,000	2,170,000
2016 LTGO Bond - Taxable Telecom	2036	2.80%	290,243	-	290,243
Total			\$ 4,535,243	\$ 255,000	\$ 3,395,243

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

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

Year Ending	Governmental Activities	
	Principal	Interest
2017	265,701	133,321
2018	271,324	123,848
2019	286,643	114,529
2020	301,971	104,701
2021	502,309	94,363
2022-2026	841,949	335,636
2027-2031	836,935	115,925
2032-2036	88,411	6,950
Total	\$ 3,395,243	\$ 1,029,273

City of Ellensburg, Washington
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For the Year Ended December 31, 2016

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 2017 of \$245,000 and operating revenue of \$8502,827 in 2016.

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 2017 of \$205,000 and operating revenue of \$8,502,827 in 2016.

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 2017 of \$205,710 and operating revenue of \$4,577,434 in 2016.

2014 Electric Refunding/Revenue Bonds for the purpose of providing funds to refund outstanding electric revenue bonds of the City and to finance the cost of a new substation of the City's Electric Utility. The bonds will mature in 2032 with a debt payment in 2017 of \$310,000 and operating revenue of \$15,059,595 in 2016.

2016 Water/Sewer Refunding (2010) Bonds for the purpose of providing funds to refund outstanding water/sewer revenue bonds of the City. The bonds will mature in 2029 with a debt payment in 2017 of \$100,000 and operating revenue of \$8,502,827 in 2016.

2016 Gas Bonds for the purpose of providing funds to pay or reimburse the costs of certain capital improvements to and extensions of the Natural Gas Utility. The bonds will mature in 2036 with a debt payment in 2017 of \$34,879 and operating revenue of \$6,373,900 in 2016.

City of Ellensburg, Washington
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For the Year Ended December 31, 2016

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	4.00%	2,290,000	245,000	755,000
2010 Water/Sewer Revenue Bonds	12/1/2019	4.00%	7,420,000	205,000	655,000
2013 Water Bonds	12/1/2022	2.82%	2,100,000	205,710	1,325,280
2014 Electric (refunding)	12/1/2025	2.00%	3,650,000	310,000	3,060,000
2014 Electric	12/1/2034	2.00%	4,540,000	10,000	4,515,000
Gas 2016	12/1/2036	1.950%	859,015	34,879	859,015
Water and Sewer Refunding 2016	12/1/2029	2.310%	6,990,000	100,000	6,990,000
Total			\$ 27,849,015	\$ 1,146,522	\$ 18,159,295

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

Year Ending	Business-type Activities	
December 31	Principal	Interest
2017	1,110,589	825,601
2018	1,132,772	803,370
2019	1,169,490	766,923
2020	1,201,392	450,192
2021	1,238,483	419,040
2022-2026	5,675,165	1,634,153
2027-2031	4,729,277	819,490
2032-2036	1,902,128	164,420
Total	\$ 18,159,295	\$ 5,883,190

Local Improvement Funds

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

Special Assessments	Beginning Balance 1/1/2016	Amount Issued	Amount Redeemed	Ending Balance 12/31/2016
LID Notes & Bonds	\$ 342,065	\$ -	\$ 54,045	\$ 288,020
Total	\$ 342,065	\$ -	\$ 54,045	\$ 288,020

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.

City of Ellensburg, Washington
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For the Year Ended December 31, 2016

At December 31, 2016, the City has \$119,463 available in debt service funds to service the general obligation bonded debt. Restricted assets in proprietary funds contain \$4,091,154 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 its investments to restrict earnings to a yield less than the bond issue and therefore limit any arbitrage liability. As of December 31, 2016 the City has no arbitrage rebate liability.

B. Changes in Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term Liabilities reported as General Long-Term Debt.

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Governmental Activities:					
Bonds payable					
General Obligation Debt	\$ 3,345,000	\$ 290,243.00	\$ 240,000	\$ 3,395,243	\$ 265,701
Less/add Deferred amounts for issuance discount and Premiums	140,300	-	14,452	125,848	14,452
Total Bonds Payable	3,485,300	290,243	254,452	3,521,091	280,153
Compensated Absences	545,098	221,196		766,294	521,900
OPEB Liability	2,907,495	493,844	-	3,401,339	-
Net Pension Liability	4,262,994	20,689		4,283,683	
Total Governmental LT Liabilities	11,200,887	1,025,972	254,452	11,972,407	802,053
Business-Type Activities					
Revenue Bonds	17,550,310	7,849,015	7,240,030	18,159,295	1,110,589
Less/add Deferred amounts for issuance discount and Premiums	892,311		285,453	606,858	
Total Bond Payable	18,442,621	7,849,015	7,525,483	18,766,153	1,110,589
Compensated Absences	546,620	108,934	4,460	651,093	277,651
Net Pension Liability	1,189,099	3,246,256	-	4,435,354	
Total Business-Type LT Liabilities	18,989,241	11,204,205	7,529,943	23,852,600	1,388,240
Total	\$ 30,190,128	\$ 12,230,177	\$ 7,784,395	\$ 35,825,008	\$ 2,190,293

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 \$117,839. Also, for the governmental activities, claims,

City of Ellensburg, Washington
Notes to Basic Financial Statements
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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. LEASES

A. Operating Leases

The City leases equipment under non-cancelable operating leases. Total cost for such leases was \$33,591 for the year ended December 31, 2016. The future minimum lease payments for these leases are as follows; all leases are completed by 2020 as of December 31st 2016.

Year Ending December 31	Amount
2016	\$ 33,591
2017	\$ 38,155
2018	\$ 34,105
2019	\$ 7,978
2020	\$ 4,793
Total	<u>\$ 118,622</u>

Pension commitments are discussed in Note 6.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

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 2016.

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 2016:

Transfer From	Transfer To Arterial and Street	Transfer To Non Major Gov	Transfer To Non Major Enterprise	Total
General Fund	1,540,000	385,466	40,500	1,965,966
Non Major Gov	330,958	57,103	290,243	678,304
Stormwater	130,000			130,000
Total	\$ 2,000,958	\$ 442,569	\$ 330,743	\$ 2,774,270

City of Ellensburg, Washington
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For the Year Ended December 31, 2016

The following table displays interfund balances activity during 2016:

Due To	Due From General Fund	Due From Street/Art	Due From Storm	Due From Telecom	Due From Gas	Due From Light	Due From Water	Due From Sewer	Due From Shop	Due From All Others	Total
Arterial and Street	\$ 5,000	\$ 420						\$ 707		\$ 3,904	\$ 10,032
Storm	258	20	1	1	3	16	76	225	72		673
Sewer	347	732	1	1	4	354	103	304	97		1,943
Water	5,148	237	11	17	63	324	1,526	4,498	1,439	4	13,266
Gas	5,350	1,236	11	17	66	337	1,586	4,675	1,776	5	15,060
Light	17,559	809	37	56	215	1,102	5,205	15,345	4,908	15	45,252
Telecom	4,200										4,200
Internal Service Fund	142	19,562				96	126		221		20,148
Total	\$ 38,004	\$ 23,017	\$ 61	\$ 92	\$ 351	\$ 2,229	\$ 8,623	\$ 25,755	\$ 8,513	\$ 3,929	\$ 110,574

The following table displays interfund loan activity during 2016:

Interfund Loan Receivable	Beginning Balance 1/1/2016	Installment	Balance 12/31/16
Major funds:			
Light	\$ 1,834,657	\$ 275,000	\$ 1,559,657
Equipment Revolving	283,943	283,943	-
Total	\$ 2,118,600	\$ 558,943	\$ 1,559,657

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.

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 2016 operations are as follows:

	Budget	Actual
Kittitas County	\$ 49,000	\$ 51,321
City of Ellensburg	80,504	90,868
Tour Fees	5,500	7,887
Other Revenues	21,600	32,070
Total Support	\$ 156,604	\$ 182,147

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

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note , 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. 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.

B. 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 2016, expenditures of \$299,625 were recognized for postretirement health care.

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 2016	Fire	Pre leoff Fire	Police	Total
Medical Expenses	\$ 2,522,542	\$ 1,091,057	\$ 2,344,787	\$ 5,958,386
Longterm Care	1,481,538	963,936	1,591,223	4,036,697
Total Inactive	4,004,080	2,054,993	3,936,010	9,995,083
Arc				
Normal Cost	-	-	-	-
UAAI Amortization	360,131	184,828	354,009	898,968
ARC	360,131	184,828	354,009	898,968
Annual OPEB Cost				
ARC	360,131	184,828	354,009	898,968
NOO Interest	39,083	27,887	49,330	116,300
NOO Amortization	(87,879)	(62,704)	(110,920)	(261,503)
Annual OPEB Cost	311,335	150,011	292,419	753,765
NOO				
Starting NOO	977,074	697,166	1,233,255	2,907,495
Annual OPEB Cost	311,335	150,011	292,419	753,765
Contributions	(84,801)	(67,715)	(107,405)	(259,921)
NOO*	\$ 1,203,608	\$ 779,462	\$ 1,418,269	\$ 3,401,340

**Estimated (please see comment in Key Results above)

Funding Status and Funding Progress- As of December 2016, the actuarial accrued liability for benefits was \$9,995,083.

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.

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 2016 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, 2016 was twenty-four years.

City of Ellensburg, Washington
Notes to Basic Financial Statements
For the Year Ended December 31, 2016

17. ACCOUNTING AND REPORTING CHANGES

A. Implementation of GASB Statement No. 72

During 2016 the City implemented GASB Statement No. 72 Fair Value Measurement and Application. As a result, the City is required to disclose in the notes of the financial statements, the fair value measurements, the level of fair value hierarchy, and valuation techniques. Effective date of this statement is for financial statements for periods beginning after June 15, 2015. This statement addresses accounting and financial reporting issues related to fair value measurements and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

B. Change in Reporting

Also during 2016, voters approved a 0.2% sales tax increase in order to expand bus services. In previous financial statements, Ellensburg Public Transit (fund 127) had been included with the General Fund. However, due to the change in the 2015 Washington State laws regarding Transportation Benefit Districts and the voter approved sales tax increase, the City now includes the fund with Other Governmental Funds on the major Governmental Fund Statements. The following table reconciles the December 31, 2015 fund balances to the beginning 2016 fund balances.

	Statement of Revenues, Expenditures, and Changes in Fund Balances		
	December 31, 2015 Ending Fund Balance	December 31, 2016 Beginning Fund Balance	Adjustment
General Fund	\$ 2,964,143	\$ 2,886,826	\$ 77,317
Other Governmental Funds	4,140,080	4,217,397	(77,317)

18. NON RECOGNIZED SUNSEQUENT EVENTS

At the May 15, 2017 meeting of Ellensburg City Council, Nicole Klauss was appointed by the council to fill a vacancy left by the resignation of Chris Herion.

The 2016 Street Division was heavily impacted by a winter that brought prolonged periods of below freezing temperatures and above average snowfall. There was above average flooding that impacted the City for a second year in a row.

CITY OF ELLENSBURG
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS
(Amount expressed in Thousands)
2016

Fund	Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered payroll	UAAL as a percentage of Covered Payroll
Pre leoff	-	2,054,992	2,054,992	0%	-	N/A
Leoff 1 Fire	-	4,004,079	4,004,079	0%	-	N/A
Leoff 1 Police	-	3,936,010	3,936,010	0%	-	N/A

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.

CITY OF ELLENSBURG
REQUIRED SUPPLEMENTARY INFORMATION
GASB Statement No. 67 Schedule of Employer Contributions
2016

Schedule of Employer Contributions for 10 years

Fire Relief and Pension Fund

Fiscal Year Ending	Actuarially Determined Contribution *	Actual Employer Contribution **	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
December 31st 2007	\$ 52,775	\$ (97,574)	\$ 150,349	0	N/A
December 31st 2008	77,535	143,574	(66,039)	0	N/A
December 31st 2009	77,535	149,853	(72,318)	0	N/A
December 31st 2010	64,903	199,940	(135,037)	0	N/A
December 31st 2011	64,903	184,471	(119,568)	0	N/A
December 31st 2012	59,924	202,238	(142,314)	0	N/A
December 31st 2013	59,924	76,923	(16,999)	0	N/A
December 31st 2014	43,646	89,679	(46,033)	0	N/A
December 31st 2015	27,000	(61,886)	88,886	0	N/A
December 31st 2016	27,000	92,525	(65,525)	0	N/A

* Equal to the ARC under GASB 27 for years prior to 2015. For 2015 and 2016, the ADC is equal to the budgeted contribution developed in the January 2015 actuarial report dated May 22, 2015.

** Employer Contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150. It includes revenues from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer contributions.

CITY OF ELLENSBURG
REQUIRED SUPPLEMENTARY INFORMATION
GASB Statement No. 67 Schedule of Money Weighted Rate of Return
2016

Fiscal Year Ending December 31	Net Money Weighted Rate of Return
2016	0.56%

Calculation of Money Weighted Rate of Return

The money weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money weighted rate of return is calculated net of investment expenses.

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows With Interest
Beginning Value January 1, 2016	\$332,744	12.00	1.00	\$334,594
Monthly net external cash flows:				
January	(8,898)	12.00	1.00	(8,947)
February	(10,457)	11.00	0.92	(10,510)
March	(11,107)	10.00	0.83	(11,158)
April	(12,659)	9.00	0.75	(12,712)
May	10,598	8.00	0.67	10,637
June	(525)	7.00	0.58	(527)
July	61,902	6.00	0.50	62,074
August	(8,367)	5.00	0.42	(8,387)
September	(9,048)	4.00	0.33	(9,065)
October	(10,030)	3.00	0.25	(10,044)
November	63,063	2.00	0.17	63,122
December	(13,752)	1.00	0.08	(13,758)
Ending Value December 31, 2016	385,319			385,319
Money Weighted Rate of Return	0.56%			

CITY OF ELLENSBURG
REQUIRED SUPPLEMENTARY INFORMATION
GASB Statement No. 67 Long-Term Expected Rate of Return
2016

The long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2016.

Asset Class	Index	Long-Term Expected Real Rate of Return
Cash	Citigroup 90-Day T-Bills	0.50%
Short-Term Bonds	Citigroup 1-3 Year Gov/Cred	1.41%
Long-Term Bonds	Barclays Long Gov/Cred	2.97%
Assumed Inflation - Mean		2.25%
Long-Term Expected Rate of Return		3.75%

CITY OF ELLENSBURG
REQUIRED SUPPLEMENTARY INFORMATION
GASB Statement No. 67 Net Pension Liability
2016

Net Pension Liability	December 31, 2014	December 31, 2015	December 31, 2016
Total pension liability	\$866,513	\$859,906	\$818,058
Fiduciary net position	439,985	332,744	385,319
Net pension liability	426,528	527,162	432,739
Fiduciary net position as a % of total pension liability	50.78%	38.70%	47.10%
Covered payroll	0	0	0
Net pension liability as a % of covered payroll	N/A	N/A	N/A

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below. There were no significant changes during this period. Any significant changes would need to be reflected as prescribed by GASB 67.

Discount Rate

Discount rate	3.50%	3.50%	3.75%
Long-term expected rate of return, net of investment expense	3.50%	3.50%	3.75%
Municipal bond rate	3.50%	3.50%	3.75%

Other Key Actuarial Assumptions

Valuation Date	January 1, 2015	January 1, 2015	January 1, 2017
Measurement Date	December 31, 2014	December 31, 2015	December 31, 2016
Inflation	2.25%	2.25%	2.25%
Salary increases including inflation	3.25%	3.25%	3.25%
Mortality	RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)	
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal

CITY OF ELLENSBURG
REQUIRED SUPPLEMENTARY INFORMATION
GASB Statement No. 67 Schedule of Changes in Net Pension Liability and Related Ratios
2016

Fiscal Year Ending December 31

\$ Thousands

	2014	2015	2016
Total Pension Liability			
Service Cost	\$0	\$0	\$0
Interest on total pension liability	33	30	29
Effect of plan charges	0	0	0
Effect of economic /demographic gains or (losses)	(126)	0	(12)
Effect of assumption changes or inputs	107	0	(21)
Benefit payments	(52)	(36)	(39)
Net change in total pension liability	(37)	(7)	(42)
Total pension liability, beginning	904	867	860
Total pension liability, ending (a)	867	860	818
Fiduciary Net Position			
Employer contributions	\$141	\$0	\$141
Contributions from state fire insurance premium tax	21	20	20
Investment income net of investment expenses	1	2	2
Benefit payments	(52)	(36)	(39)
Medical payments from fund	(72)	(82)	(69)
Administrative expenses	(8)	(11)	(3)
Net change in plan fiduciary net position	30	(107)	53
Fiduciary net position, beginning	410	440	333
Fiduciary net position, ending (b)	440	333	385
 Net pension liability, ending = (a) - (b)	 \$427	 \$527	 \$433
 Fiduciary net position as a % of total pension liability	 50.78%	 38.70%	 47.10%
 Covered payroll	 \$0	 \$0	 \$0
 Net pension liability as a % of covered payroll	 N/A	 N/A	 N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Ellensburg
Schedule of Proportionate Share of the Net Pension Liability
Pension Plans, PERS 1; PERS 2; LEOFF 1; LEOFF 2
As of June 30 2016
Last 10 Fiscal Years*

		2015	2016
PERS 1			
Employer's proportion of the net pension liability (asset)	%	0.069607%	0.071927%
Employer's proportionate share of the net pension liability	\$	3,641,093	3,862,819
TOTAL	\$	3,641,093	3,862,819
Employer's covered employee payroll	\$	209,677	163,054
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	5.76%	4.22%
PERS 2 & 3			
Employer's proportion of the net pension liability (asset)	%	0.084596%	0.087856%
Employer's proportionate share of the net pension liability	\$	3,022,663	4,423,480
TOTAL	\$	3,022,663	4,423,480
Employer's covered employee payroll	\$	7,506,240	4,881,354
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	248.33%	110.35%
LEOFF 1			
Employer's proportion of the net pension liability (asset)	%	0.039784%	0.039631%
Employer's proportionate share of the net pension asset	\$	479,485	408,313
TOTAL	\$	479,485	408,313
Employer's covered employee payroll	\$	0	0
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	0.00%	0.00%
LEOFF 2			
Employer's proportion of the net pension liability (asset)	%	0.071938%	0.069861%
Employer's proportionate share of the net pension asset	\$	739,379	406,333
TOTAL	\$	739,379	406,333
Employer's covered employee payroll	\$	2,087,922	2,121,326
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	282.39%	522.07%
Plan fiduciary net position as a percentage of the total pension liability	%	282.39%	522.07%

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Ellensburg
Schedule of Employer Contributions
Pension Plans, PERS 1; PERS 2; LEOFF 1; LEOFF 2
As of December 31 2016
Last 10 Fiscal Years*

		<u>2015</u>	<u>2016</u>
PERS 1			
Statutorily or contractually required contributions	\$	18,440	18,338
Contributions in relation to the statutorily or contractually required contributions	\$	(18,440)	(18,338)
Contribution deficiency (excess)	\$	<u>0</u>	<u>0</u>
Covered employer payroll	\$	186,682	166,709
Contributions as a percentage of covered employee payroll	%	9.88%	11.00%
		<u>2015</u>	<u>2016</u>
PERS 2 & 3			
Statutorily or contractually required contributions	\$	430,526	523,010
Contributions in relation to the statutorily or contractually required contributions	\$	(430,526)	(523,010)
Contribution deficiency (excess)	\$	<u>0</u>	<u>0</u>
Covered employer payroll	\$	7,600,570	8,430,462
Contributions as a percentage of covered employee payroll	%	5.66%	6.20%
		<u>2015</u>	<u>2016</u>
LEOFF 1			
Statutorily or contractually required contributions	\$	0	0
Contributions in relation to the statutorily or contractually required contributions	\$	0	0
Contribution deficiency (excess)	\$	<u>0</u>	<u>0</u>
Covered employer payroll	\$	0	0
Contributions as a percentage of covered employee payroll	%	0.00%	0.00%
		<u>2015</u>	<u>2016</u>
LEOFF 2			
Statutorily or contractually required contributions	\$	106,850	110,566
Contributions in relation to the statutorily or contractually required contributions	\$	(106,850)	(110,566)
Contribution deficiency (excess)	\$	<u>0</u>	<u>0</u>
Covered employer payroll	\$	2,115,847	2,189,421
Contributions as a percentage of covered employee payroll	%	5.05%	5.05%

* Until a full 10-year trend is compiled, governments should present information only for those years for which information is available.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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