



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# City of Ellensburg

For the period January 1, 2022 through December 31, 2022

*Published September 28, 2023*  
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## Office of the Washington State Auditor Pat McCarthy

September 28, 2023

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 activities and condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor  
Olympia, WA

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## INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

### **City of Ellensburg** **January 1, 2022 through December 31, 2022**

Mayor and City Council  
City of Ellensburg  
Ellensburg, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Ellensburg, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 25, 2023.

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

## **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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, appearing to read "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2023

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### **City of Ellensburg January 1, 2022 through December 31, 2022**

Mayor and City Council  
City of Ellensburg  
Ellensburg, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the City of Ellensburg, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Ellensburg, and its changes in cash and investments, for the year ended December 31, 2022, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ellensburg, as of December 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023 on our consideration of the City's internal control over financial reporting and on the 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 the effectiveness of the City's 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.



Pat McCarthy, State Auditor

Olympia, WA

September 25, 2023

## FINANCIAL SECTION

### **City of Ellensburg January 1, 2022 through December 31, 2022**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2022  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022  
Notes to the Financial Statements – 2022

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2022

**City of Ellensburg**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

	Total for All Funds (Memo Only)	001 GENERAL FUND	120 STREET FUND	125 TRAFFIC IMPACT FEES	TRANSPORTATIO N BENEFIT DISTRICT	130 CRIMINAL JUSTICE FUND	137 DRUG FUND
<b>Beginning Cash and Investments</b>	69,657,275	12,429,043	4,053,559	789,711	2,583,130	2,419,460	31,617
308 Beginning Cash and Investments							
388 / 588 Net Adjustments	-	-	-	-	-	-	-
<b>Revenues</b>							
310 Taxes	19,571,143	14,082,955	-	-	1,468,428	1,658,596	-
320 Licenses and Permits	525,380	519,586	5,794	-	-	-	-
330 Intergovernmental Revenues	6,495,019	3,609,864	1,678,158	-	1,042,329	-	-
340 Charges for Goods and Services	51,543,981	2,073,611	492,305	190,782	75,000	-	-
350 Fines and Penalties	189,030	185,883	-	-	-	3,147	-
360 Miscellaneous Revenues	2,787,552	475,743	141,696	8,295	43,620	38,650	449
Total Revenues:	81,112,105	20,947,692	2,317,953	199,077	2,629,377	1,697,246	3,596
<b>Expenditures</b>							
510 General Government	6,624,253	1,843,246	202,654	-	-	-	-
520 Public Safety	6,589,128	5,386,321	-	-	1,195,342	5,811	-
530 Utilities	33,774,976	-	-	-	-	-	-
540 Transportation	6,952,159	977,219	2,609,019	17,852	1,605,641	-	-
550 Natural/Economic Environment	2,724,625	1,464,478	-	-	-	64,060	-
560 Social Services	179,443	179,443	-	-	-	-	-
570 Culture and Recreation	4,201,831	4,170,416	-	-	-	-	-
Total Expenditures:	61,046,415	14,021,123	2,811,673	17,852	1,605,641	1,259,402	5,811
Excess (Deficiency) Revenues over Expenditures:	20,065,690	6,926,569	(493,720)	181,225	1,023,736	437,844	(2,215)
<b>Other Increases in Fund Resources</b>							
391-333, 596 Debit Proceeds	9,945,800	-	-	-	-	-	-
397 Transfers-In	4,658,046	-	3,548,169	-	-	-	-
385 Special or Extraordinary Items	-	-	-	-	-	-	-
381, 382, 389, 395, Other Resources	3,726,327	283,869	-	-	-	-	-
398 Total Other Increases in Fund Resources:	18,330,173	283,869	3,548,169	-	-	-	-
<b>Other Decreases in Fund Resources</b>							
594-535 Capital Expenditures	14,828,942	68,302	4,733,564	-	94,979	68,532	-
591-533, 599 Debt Service	3,481,903	36,730	-	-	129	-	-
597 Transfers-Out	4,658,046	3,283,194	-	685,102	-	-	-
585 Special or Extraordinary Items	-	-	-	-	-	-	-
581, 582, 589 Other Uses	2,549,762	170,464	-	-	-	-	-
Total Other Decreases in Fund Resources:	25,518,653	3,558,690	4,733,564	685,102	95,108	68,532	-
<b>Increase (Decrease) in Cash and Investments:</b>	<b>12,877,210</b>	<b>3,651,748</b>	<b>(1,679,115)</b>	<b>(503,877)</b>	<b>928,628</b>	<b>369,312</b>	<b>(2,215)</b>
<b>Ending Cash and Investments</b>							
50821 Nonspendable	-	-	-	-	-	-	-
50831 Restricted	28,674,528	5,496,341	-	181,975	3,301,353	2,671,052	26,116
50841 Committed	222,786	105,565	-	-	-	-	-
50851 Assigned	44,520,292	1,361,999	2,374,449	103,859	210,405	117,721	3,286
50891 Unsigned	9,116,881	9,116,881	-	-	-	-	-
<b>Total Ending Cash and Investments</b>	<b>82,534,487</b>	<b>16,080,786</b>	<b>2,374,449</b>	<b>285,834</b>	<b>3,511,758</b>	<b>2,788,773</b>	<b>29,402</b>

The accompanying notes are an integral part of this statement.

150 CATT OPERATIONS FUND		160 PARK ACQUISITION FUND		165 LODGING TAX FUND		172 HOUSING FUND		210 DEBT SERVICE FUND		225 2010 DEBT SERVICE FUND		LIBRARY CONSTR DEBT FU		340 '17 Facility Bond Capital Proj		366 SIDEWALK FUND		STORMWATER UTILITY FUND	
111,769	-	921,422	565,799	2,342,278	-	362,378	60,818	-	-	90,807	-	521,635	-	987,297	-	3,305,221	-	-	-
99,291	-	-	675,025	824,952	-	-	-	-	-	176,738	-	-	-	585,158	-	-	-	-	-
-	-	1,834	9,950	-	-	-	-	-	-	-	-	-	-	10,000	-	22,625	-	-	-
-	-	98,668	-	-	-	-	-	-	-	-	-	-	-	-	-	1,459,047	-	-	-
-	-	1,729	11,163	11,416	30,935	-	-	-	-	-	-	-	-	31,077	-	54,196	-	-	-
-	-	101,020	111,665	696,391	855,887	-	-	-	-	176,738	-	-	-	626,235	-	1,535,868	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,362	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,198,747	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	309,920	-	-	-
-	-	95,568	-	350,519	750,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	31,415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	95,568	31,415	350,519	750,000	-	-	-	-	176,738	-	-	-	1,362	-	309,920	-	1,198,747	-
-	-	5,452	80,250	345,872	105,887	-	-	-	-	176,738	-	-	-	(1,362)	-	316,315	-	337,121	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	244,031	-	-	-	-	-	-	-	-	-	-	-	-	-	69,973	1,029,599	-	-
-	-	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	359,808	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	155,000	-	-	-
-	-	444,031	-	-	-	-	-	-	-	-	-	-	-	-	-	1,731	-	-	-
-	-	5,452	(353,781)	345,872	105,887	-	-	-	-	186,403	185,527	-	-	-	-	226,704	1,389,407	-	-
-	-	-	-	-	-	-	-	-	-	26,397	(8,789)	-	-	(1,362)	-	109,539	(1,052,286)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	498,043	-	842,036	2,394,245	-	-	-	-	-	-	-	-	-	-	98,615	1,580,641	-	-
-	-	117,221	-	69,635	53,919	362,379	87,215	-	-	-	-	-	-	-	-	115,221	672,294	-	-
-	-	59,597	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	557,640	911,671	2,448,164	362,379	87,215	-	-	-	82,018	-	-	-	-	-	1,096,336	2,252,935	-	-

The accompanying notes are an integral part of this statement.

451 TELECOMM. UTILITY FUND		461 NATURAL GAS UTILITY FUND		471 ELECTRIC UTILITY FUND		481 WATER UTILITY FUND		491 SEWER UTILITY FUND		531 SHOP FUND		HEALTH/BENEFIT S FUND		540 RISK MANAGEMENT FUND		545 RISK MANAGEMENT FUND		550 IT FUND		555 Geographic Information Systems		
248,206	-	3,947,600	11,825,371	-	6,035,732	-	2,423,350	-	8,707,627	-	1,316,650	-	1,417,745	-	2,159,050	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
110,034	-	-	-	-	-	725	-	-	-	9,500	-	-	-	-	-	-	-	-	-	-	-	
340,005	8,466,542	21,256,948	-	5,436,726	4,889,294	-	2,457,889	2,085,957	-	687,191	-	1,533,966	-	-	-	-	-	-	-	-	-	
-	6,270	60,125	288,782	-	836,298	-	-	155,459	-	70,504	-	21,241	-	36,429	-	-	-	-	-	-	-	
456,309	8,526,667	21,545,730	-	6,273,749	5,352,759	-	2,622,848	2,156,461	-	708,432	-	1,570,395	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	2,487,363	-	654,920	1,436,070	-	-	-	-	-	-	-	-	
192,930	8,293,649	16,195,275	-	3,887,983	4,006,392	-	-	-	-	-	-	292	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	1,432,508	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
192,930	8,293,649	16,195,275	-	3,887,983	4,006,392	-	1,432,508	2,487,363	-	655,212	-	1,436,070	-	-	-	-	-	-	-	-	-	
263,379	233,018	5,350,455	2,385,766	-	1,346,377	1,190,340	-	(330,902)	-	53,220	-	134,325	-	-	-	-	-	-	-	-	-	
-	-	-	-	5,120,461	4,825,339	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	548,752	1,230,617	-	689,225	-	701,113	-	15,866	-	256,885	-	-	-	-	-	-	-	-	-	-	-	
-	548,752	1,230,617	-	5,809,686	5,526,452	-	15,866	-	256,885	-	-	-	-	-	-	-	-	-	-	-	-	
145,565	723,134	3,093,399	3,122,380	-	471,134	951,369	-	-	-	-	-	12,981	-	-	-	-	-	-	-	-	-	
19,230	56,525	624,233	865,936	-	582,093	2,964	-	-	-	-	-	314,822	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	417,025	903,951	523,778	-	532,813	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	164,795	1,196,684	4,621,583	4,512,094	-	1,586,040	954,333	-	-	-	-	19,928	327,803	-	-	-	-	-	-	-	-	
98,584	(414,914)	1,959,489	3,613,358	-	5,286,789	251,873	-	(74,017)	-	33,292	(193,478)	-	314,822	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	175,370	871,693	4,097,932	-	5,556,116	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	3,357,317	12,913,166	5,621,161	2,154,023	-	8,959,501	1,242,633	-	1,451,037	-	1,965,570	314,822	-	-	-	-	-	-	-	-	-	-
-	346,792	3,532,687	13,784,859	9,719,093	-	7,710,139	8,959,501	-	1,242,633	-	1,451,037	1,965,570	314,822	-	-	-	-	-	-	-	-	

The accompanying notes are an integral part of this statement.

**City of Ellensburg**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

	<b>Custodial</b>
308	Beginning Cash and Investments
388 & 588	Net Adjustments
310-390	Additions
510-590	Deductions
	<hr/>
	Net Increase (Decrease) in Cash and Investments:
	(10,304)
508	Ending Cash and Investments

**City of Ellensburg, Washington**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2022**

**Note 1 - Summary of Significant Accounting Policies**

The City of Ellensburg was incorporated on November 26, 1883, and operates under the laws of the state of Washington applicable to a Noncharter Code City. The city is a general-purpose local government and provides public safety, animal control, street improvement, transit services, parks and recreation, library services, planning and zoning, and general administration.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because interfund activities are not eliminated. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

**General Fund**

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

**Special Revenue Funds**

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

**Debt Service Funds**

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

**Capital Projects Funds**

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

## PROPRIETARY FUND TYPES:

### Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

## FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

### Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

### B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

In accordance with state law the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

### C. Cash and Investments

See Note 2, *Deposits and Investments*.

### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Infrastructure will be capitalized when the cost or group cost is \$50,000 or more. Capital assets and inventory are recorded as capital expenditures or supplies as appropriate when purchased.

### E. Compensated Absences

Contracts with employees call for the accumulation of various types of leave based on the employees' classification. Upon termination of employment for any reason employees receive payment for their accrued leave based on the employee contract classification. Paid time off (PTO) has a maximum accumulation of 584 hours, dependent on years of service. Sick leave and Reserved Time Off (RTO) may be accumulated indefinitely, however, upon separation from employment, employees do not receive payment for unused sick or RTO leave. Additionally, temporary and part-time employees earn one hour of paid sick leave for every 40 hours they work, and balances of 40 hours or less are carried over to the next year in accordance with Washington Paid Sick Leave laws (WPSL). Payments are recognized as expenditures when paid. Below is a chart showing the treatment of each type of leave based on the employee classification:

	NON EXEMPT	OPEIU/ LOPE	IBEW	TEAM PW	TEAM POLICE	Temporary & Part-time
<b>Bank Days</b>	N/A	N/A	Accrued @ 4 days per year—no max accrual	Hired prior to 12/2009 accrued @ 3 days per yr-no max accrual	N/A	N/A
<b>Comp time</b>		Accrue to 40 hours maximum per year	Accrue to 40 hours maximum year	Accrue to 80 hours maximum per year	Accrue to 40 hours maximum per year	N/A
<b>RTO</b>	No accrual limit/ no payout	N/A	N/A	N/A	N/A	N/A
<b>Sick Leave</b>	N/A	No accrual limit/ no payout	No accrual limit/ no payout	No accrual limit/ no payout	No accrual limit/ payout up to 500 hours	See WPSL
<b>Vacation</b>		Not to exceed 240 hours	Not to exceed 240 hours	Not to exceed 240 hours	Not to exceed 296 hours	N/A
<b>PTO</b>	Accrual based on years of service. Maximum accrual 584 hours	N/A	N/A	N/A	N/A	N/A
<b>WPSL</b>	-	-	-	-	-	Earn 1 hour of paid sick leave for every 40 hours worked

#### F. Long-Term Debt

See Note 5, *Long-term Debt*.

#### G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Council ordinance or resolution. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund	Amount	Reason
General	5,601,906	External Restriction/Restrictions by Donors/COVID 19 Grant
Traffic Impact Fees	181,975	Traffic Impact Fees Restricted by law RCW 82.02.050
Transportation Benefit District	3,301,353	RCW 82.14.045 Voter approved sales tax
Criminal Justice	2,671,052	Local Criminal Justice Tax RCW 82.14.340(4)-(5)
Drug Fund	26,116	RCW 69.50.505
CATV Operations Fund	117,221	Cable TV Utility Tax
Park Acquisition	498,043	Gas tax is externally restricted RCW 46.68.110/RCW 47.24.040
Lodging Tax	842,036	RCW 67.28.180
Housing	2,394,245	RCW 82.14.045 Voter Approved Sales Tax & State Affordable Housing Credit
Capital Fund - Sidewalk Fund	981,615	Capital Projects identified in RCW 82.46.030 and 82.45.180
Enterprise - Stormwater	1,580,641	Bond Reserve Requirements
Enterprise - Natural Gas Utility	175,370	Bond Reserve Requirements
Enterprise - Electric Utility	871,693	Bond Reserve Requirements
Enterprise - Water Utility	4,097,932	Bond Reserve Requirements
Enterprise - Sewer Utility	5,556,116	Bond Reserve Requirements

## Note 2 – Deposits and Investments

Investments are reported at original cost. Deposits and Investments by type at December 31, 2022, are as follows:

Type of Deposit or Investment	City of Ellensburg's Own Deposits and Investments	Deposits held by City of Ellensburg as custodian for individuals	Total
Bank deposits	\$1,832,038	\$5,917	\$1,837,955
L.G.I.P.	59,798,758		59,798,758
U.S. Government securities	20,903,691		20,903,691
Total	\$82,534,487		\$82,540,404

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds and the investments held by fund retains the investment income.

## Investments in the State Local Government Investment Pool (LGIP)

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

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

## Custodial Credit Risk

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

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

### Compensating Balances

The amounts previously referred to as bank balance, also includes a compensating balance maintained with U.S. Bank in lieu of payments for services rendered. The average compensating balance maintained during 2022 was approximately \$5,623,023.

### Note 3 – Budget Compliance

#### A. Budgets

The City adopts biennial appropriated budgets for thirty-five funds. These budgets are appropriated at the fund level. Several managerial funds of the general fund, combined for annual financial reporting purposes, are appropriated as separate funds. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end.

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. Intrafund transactions between managerial funds are reported both as appropriated and actual expenditures in the table below.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Table 1 - 2022 Final Budget and Actual Expenditures

Fund	2022 Original Budget	2022 Final Budget	2022 Actuals (Budgetary Basis)	Total Reconcile to Cash BARS Basis	2022 Actuals (Cash BARS Basis)	Variance
Total Budgeted General Fund	\$ 16,556,260	\$ 17,884,229	\$ 16,265,766	\$ (2,426,396)	\$ 13,839,370	\$ 1,618,463
Managerial Funds of the General Fund			17,046			
Economic Development		75,000	49,000		49,000	26,000
Sales Tax Reserve Fund	4,786,871	5,108,871	5,108,871	(1,825,677)	3,283,194	-
Art Acquisition Fund	62,234	65,500	32,384		32,384	33,116
CARES/ARPA Grants		5,245,100	223,911	-	223,911	5,021,189
*LID Guaranty Fund	-	-	-		-	N/A
Library Trust Fund	8,800	8,800	2,736		2,736	6,064
Hal Holmes Trust Fund	10,000	10,000	-		-	10,000
Fire Relief & Pension Trust Fund	132,622	136,522	130,474		130,474	6,048
*LID Debt Service Fund	-	-	18,754		18,754	N/A
Total Managerial Funds of the General Fund	5,000,527	10,649,793	5,547,376	(1,806,923)	3,740,453	5,102,417
Total General Fund for Annual Financial Reporting	\$ 21,556,787	\$ 28,534,022	\$ 21,813,142	\$ (4,233,319)	\$ 17,579,823	\$ 6,720,880
Street Fund	\$ 9,683,355	\$ 20,208,289	\$ 7,644,341	\$ 5,747	\$ 7,545,234	\$ 12,563,948
Traffic Impact Fees Fund	594,000	909,820	702,954		702,954	206,866
Public Transit Fund	1,884,958	2,131,771	1,700,748		1,700,748	431,023
Criminal Justice Sales Tax Fund	1,286,920	1,527,765	1,327,933		1,327,933	199,832
Drug Fund	11,699	22,146	5,811		5,811	16,335
Ellensburg Community TV	101,340	101,340	95,568		95,568	5,772
Parks Acquisition Fund		569,514	475,446		475,446	94,068
Lodging Tax Fund	320,313	350,313	350,519		350,519	(206)
Housing Fund	682,500	1,432,500	750,000		750,000	682,500
Facilities Improvement Debt Service	562,327	562,327	562,326		562,326	1
2010 Maintenance Bond Debt Service	212,800	212,800	186,403		186,403	26,397
Library Bond Debt	186,000	186,000	185,527		185,527	473
Capital Improvement Bond Projects	-	521,635	1,362		1,362	520,273
General Capital Projects		-	-		-	-
Sidewalk Fund	273,000	791,243	536,624		536,624	254,619
Stormwater Utility Fund	1,888,656	2,536,922	1,634,360		1,634,360	902,563
Stormwater Bond Fund	-	1,539,045	953,795		953,795	585,250
Telecommunications Utility Fund	344,897	1,035,303	357,724		357,724	677,579
Gas Utility Fund	7,601,318	10,517,860	9,014,959	475,373	9,490,332	1,502,901
Electric Utility Fund	20,949,732	24,841,492	19,464,593	1,352,265	20,816,858	5,376,899
Water Utility Fund	6,020,439	11,818,679	7,835,905	564,169	8,400,074	3,982,774
Sewer Utility Fund	5,729,482	9,790,722	5,058,521	533,911	5,592,432	4,732,201
Shop Fund	2,203,946	3,252,617	2,372,499	14,341	2,386,840	880,118
Health & Benefits Fund	2,377,608	2,917,459	2,487,362		2,487,362	430,097
Risk Management Fund	592,939	773,779	675,140		675,140	98,639
Information Technology Fund	1,508,441	2,764,136	1,763,874		1,763,874	1,000,262
All Funds	\$ 86,573,457	\$ 129,849,498	\$ 87,957,434	\$ (1,287,513)	\$ 86,565,068	\$ 41,892,064

Fund	2022 Admin Reim	2022 400/441 Reallocation	2022 Intrafund Transfers	2022 Inventory Conversion	2022 Non-Budget Limited Funds	Total Reconcile to Cash BARS Basis
Total Budgeted Gen	(2,285,315)	-	(141,081)	-	-	(2,426,396)
Managerial Funds of the General Fund						
Sales Tax Reserve Fund	-	(1,825,677)	-	-		(1,825,677)
CARES/ARPA Grants	-		-	-		-
*LID Debt Service Fund	-		-	18,754		18,754
Total Managerial Fu	-	-	(1,825,677)	-	18,754	(1,806,923)
Total General Fund	(2,285,315)	-	(1,966,758)	-	18,754	(4,233,319)
Street Fund	-		-	5,747		5,747
Gas Utility Fund	-	417,025	-	58,348		475,373
Electric Utility Fund	-	903,951	-	448,314		1,352,265
Water Utility Fund	-	523,778		40,391		564,169
Sewer Utility Fund	-	532,813	-	1,099		533,911
Shop Fund	-	-	-	14,341		14,341
All Funds	(2,285,315)	2,377,566	(1,966,758)	568,240	18,754	(1,287,513)

\* Non-Budget-limited Fund

The City of Ellensburg reported the Utility Deposit Fund (441) as a separate unbudgeted fund until the Office of the State Auditor asserted those funds to be managerial funds of the distinct Utility Funds. Deposits are not collected by the separate funds. The City established a percentage allocation based on revenue. The resulting revenues and expenditures are a result of complying with the allocation of deposits for annual financial reporting purposes only, and not for purposes of enterprise fund budget compliance. The utility funds do not collect this “revenue” or budget for this “expenditure”. Therefore, the reporting of this 400/441 reallocation is for annual financial reporting purposes only. In addition, for financial reporting purposes only, the table includes funds 261 LID Guarantee and 800 LID in order to complete the information included in the General Fund.

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

#### **Note 4 - Property Tax**

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

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City’s regular levy for the year 2022 was \$1.628446 per \$1,000 on an assessed valuation of \$2,096,467,949 for a total regular levy of \$3,413,984.85. In addition, the levy for debt service on a voter approved bond issue that had a balance of \$174,998.47, was collected in full by the county treasurer.

#### **Note 5 – Long-Term Debt**

##### Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for year-end December 31, 2022.

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

<b>General Obligation Bonds</b>			
	Principal	Interest	Total
2023	\$ 538,944	\$ 209,784	\$ 748,728
2024	\$ 551,853	\$ 196,876	\$ 748,729
2025	\$ 565,095	\$ 183,634	\$ 748,729
2026	\$ 573,407	\$ 175,322	\$ 748,729
2027	\$ 588,281	\$ 160,448	\$ 748,729
2028-2032	\$ 2,772,863	\$ 568,676	\$ 3,341,538
2033-2037	\$ 2,605,204	\$ 206,425	\$ 2,811,629
<b>Total</b>	<b>\$ 8,195,646</b>	<b>\$ 1,701,165</b>	<b>\$ 9,896,811</b>

<b>General Obligation Debt Issued for Business-Type Activities</b>			
	Principal	Interest	Total
2023	\$ 12,896	\$ 6,367	\$ 19,263
2024	\$ 13,278	\$ 5,985	\$ 19,263
2025	\$ 13,671	\$ 5,592	\$ 19,263
2026	\$ 14,076	\$ 5,187	\$ 19,263
2027	\$ 14,493	\$ 4,770	\$ 19,263
2028-2032	\$ 79,162	\$ 17,153	\$ 96,315
2033-2037	\$ 72,195	\$ 4,857	\$ 77,052
<b>Total</b>	<b>\$ 219,770</b>	<b>\$ 49,912</b>	<b>\$ 269,682</b>

  

<b>Revenue Bonds</b>			
	Principal	Interest	Total
2023	\$ 1,705,200	\$ 738,518	\$ 2,443,719
2024	\$ 1,743,291	\$ 694,310	\$ 2,437,600
2025	\$ 1,797,773	\$ 644,379	\$ 2,442,152
2026	\$ 1,846,774	\$ 593,868	\$ 2,440,641
2027	\$ 1,896,277	\$ 541,822	\$ 2,438,099
2028-2032	\$ 8,016,051	\$ 1,919,858	\$ 9,935,909
2033-2037	\$ 5,760,457	\$ 789,605	\$ 6,550,061
2038-2042	\$ 2,598,407	\$ 127,961	\$ 2,726,368
<b>Total</b>	<b>\$ 25,364,229</b>	<b>\$ 6,050,320</b>	<b>\$ 31,414,549</b>

  

<b>Assesment Debt/Liabilities (with commitments)</b>			
	Principal	Interest	Total
2023	\$ 7,414	\$ 1,779	\$ 9,193
2024	\$ 7,414	\$ 1,335	\$ 8,748
2025	\$ 7,414	\$ 890	\$ 8,304
<b>Total</b>	<b>\$ 22,242</b>	<b>\$ 4,004</b>	<b>\$ 26,245</b>

*General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally 20-year serial bonds with equal amounts of payments each year.*

The 2014 Unlimited Tax Obligation Refunding Bonds were sold to provide funds with which to pay costs associated with remodeling, expanding, and equipping the Ellensburg Public Library and Hal Holmes Community Center in the City and making related capital improvements, and to levy those excess property taxes. The bond matured in 2022.

The 2017 Facilities Capital Bonds were sold to provide funds with which to pay costs associated with remodeling, expanding, and equipping the Ellensburg Police Department and other related capital improvements. The bond will mature in 2037.

The 2016 Limited Tax General Obligation Bonds were sold to provide funds necessary to repay an interfund loan and to provide funds for long term financing of the City's telecommunication infrastructure. This is a General Obligation Debt issued for Business-Type activities. The bond will mature in 2036.

The 2021 Limited Tax General Obligation Refunding (2010) Bonds were sold to refund certain outstanding limited tax general obligation bonds of the City to achieve a debt service savings and to pay the costs of issuance and sale of the bonds. The bond will mature in 2030.

*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.*

2013 Water Bonds for the purpose of paying the cost of carrying out of the system or plan of addition to and betterments and extension of the waterworks utility. Construction of two well houses and the installation of pumps, motors, and electronic control systems and if funds are available the City shall make other improvements to the Waterworks Utility. The bonds matured in 2022.

2014 Electric Refunding/Revenue Bonds for the purpose of providing funds to refund outstanding electric revenue bonds of the City and to finance the cost of a new substation of the City's electric Utility. The bonds will mature in 2034.

2016 Water/Sewer Refunding (2010) Bonds for the purpose of providing funds to refund outstanding water/sewer revenue bonds of the City. These bonds will mature in 2029.

2016 Gas Bonds for the purpose of proving funds to pay or reimburse the costs of certain capital improvements to and extension of the Natural Gas Utility. These bonds will mature in 2036.

2020 Waterworks Bonds for the purpose of funding capital improvements to the Stormwater Utility including the purchase of 56 acres of active floodplain, construction of a fish-passable bridge and three flood swales, and construction of a setback levee. The bonds will mature in 2039.

2021 Waterworks Bonds for the purpose of funding capital improvements to the Waterworks Utility System consisting of certain capital improvements to the Waterworks Utility System, including the Bull Road Utility Extension, Illinois Well Fitting, Anderson Road Sewer Extension, Craigs Hill Pressure Zone, Wastewater Treatment Facility Clarifiers, and Digester/GBT Building Electrical Upgrades. The bonds will mature in 2040.

## Significant Debt Agreement Terms

Debt	Clause
2014 UTO Refunding Bonds	If any Bond is not redeemed when properly presented at maturity or call date, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on the bond redemption fund hereinafter created and the Bond has been called for payment by giving notice of that call to the registered owner thereof.
2021 LTGO Refunding (2010) Bonds	If any Bond is not redeemed when properly presented at maturity or call date, the City will pay interest on that Bond at the same rate provided on the Bond from and after its maturity or call date until that Bond is paid in full or until sufficient money for its payment in full is on deposit in a special account created by the City for such purpose.
2010 Water/Sewer Refunding and Revenue Bonds	If the City fails to make a payment on the Bonds or does not comply with the covenants in the Bond Ordinance, a bond owner has remedies permitted under State law, including without limitation, the remedies provided in RCW 35.67.108 and RCW 35.92.160.
2016 Gas Bonds	If the principal of the Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for the redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Debt Service Account, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.
2020 Waterworks	If the principal of the Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for the redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

*Assessment Debt or Conduit Debt obligations are debt instruments issued for the express purpose of providing financing for a third party that is not part of the financial reporting entity.*

Local Improvement District (LIDS) are a means of assisting benefiting properties in financing needed capital improvements through the formation of special assessment districts. All financing was secured through Cashmere Valley Bank, Ellensburg, WA. For the 2022 fiscal year the City had one active LID, Helena Street assigned LID #2004-1 and the improvements were street and utility related.

## Note 6 – Pension Plans

### A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans:

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

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2022, (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	423,266	0.069064%	1,922,995
PERS 2/3	709,243	0.088283%	(3,274,223)
LEOFF 1		0.040249%	(1,154,588)
LEOFF 2	132,006	0.063762%	(1,732,859)

Only the net pension liabilities are reported on the Schedule 09.

#### LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

#### LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

#### B. Local Government Pension Plans

The City is the administrator of a pension retirement system called the Fire Relief and Pension Fund; a closed, single employer defined benefit plan established under RCW 14.16,14.18 and 14.220 – as applicable. The system provides retirement, disability, and death benefits to members and beneficiaries. The system has no active members.

As of December 31, 2022, there were a total of 6 individuals covered by this system. Five 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 2022 was \$141,081. This is not considered a special funding situation.

## **Note 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 166 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

### **B. Partial Self Insurance**

As of December 31, 2022, the City is partially self-insured for its employee health and benefits program. The City purchased individual and stop loss insurance to limit its risk exposure. The City will pay up to \$90,000 in claims for an individual employee with an aggregating specific deductible of \$45,000 and up to \$2.06 million or 90% of the first

monthly aggregate deductible times 12 for the entire group. Once the maximum amount is exceeded then the insurance companies take over. To cover the 2.06 million, the City has \$2.086 million in operating revenues in 2022. In 2022 the City had \$128,767 in stop loss recoveries.

#### **Note 8 - Joint Operations with the County**

The City of Ellensburg and Kittitas County entered into a cooperative service enterprise to purchase and operate the facility previously known as the City/County Community Center (currently known as the Adult Activity Center), effective July 19, 1977. The \$62,500 in initial costs of the facility were split \$46,875 to the City and \$15,625 to the County. The City is responsible for operating and maintaining the facility. The City accounts for the operations of the facility in the Recreation Department of the General Fund. The 2022 operations are as follows:

	Budget	Actual
Kittitas County	\$49,000	\$55,195
City of Ellensburg	90,513	83,151
Tour Fees	10,000	5,942
Other Revenues	37,880	21,742
Total Support	187,393	166,030

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

#### **Note 9 – Other Post-Employment Benefits (OPEB) Plans**

The City administers two closed, single employer, defined OPEB plans designed for post-employment health care benefits to 19 police and firefighters who are retired or disabled. Both plans require expenses to be approved by the Kittitas County LEOFF Disability Board. They are the Law Enforcement Officers' and Fire Fighters Retirement System Plan One (LEOFF 1), as required by Washington State law RCW 41.26.150 and the Fire Relief and Pension Plan which provides for pre-LEOFF 1 police and firefighters who retired or disabled.

The Fire Relief and Pension Plan, which pre-dates the Law Enforcement Officers' and Fire Fighters Retirement System Plan, is addressed in RCW 41.26.150(1) which states 'in the case of active or retired firefighters the employer may make the payments provided in this section from the firefighter's pension fund established pursuant to RCW 41.16.050 where the fund had been established prior to March 1, 1970. If this pension fund is depleted, the employer shall have the obligation to pay all benefits payable under chapters 41.16 and 41.18 RCW'.

The LEOFF 1 retiree medical plan is directed and defined by the State of Washington Revised Code RCW 41.26.150, states in part 'whenever any active member, or any member hereafter retired, on account of service, sickness, or disability, not caused or brought on by dissipation or abuse, of which the disability board shall be the judge, is confined in any hospital or in home, and whether or not so confined, requires medical services, the employer shall pay for the active or retired member the necessary medical services not payable from some other source as provided for in subsection (2) of this section'.

For both plans, to qualify for medical services, the employee needs to only be active, or disability retired, or the employee's service retirement date is that day following separation from LEOFF employment with the City. Employees may retire after 5 years of service after reaching age 50. Employees with 20 years of service who leave employment before retirement age are eligible for medical benefits upon reaching age 50. Insurance for retired individuals is provided through the employer's group plan, which covers both active and qualified retired members. The medical services cover active and retired members only. Spouses are not eligible. Health insurance premiums are paid monthly, and other medical services are paid as billings are presented for payment.

Employer contributions are financed on a pay-as-you-go basis. During 2022, expenditures of \$336,851 were recognized

for other post-employment benefits.

The City of Ellensburg's OPEB liability as of December 31, 2022, was \$7,767,867 and was calculated using the Office of the Washington State Actuary alternative measurement method tool.

#### **Note 10 – Contingencies and Litigations**

The City does not have any contingent liabilities that would not be within the limits of the City's self-insured coverage with WCIA.

#### **Note 11 – Significant Commitments**

The City has active projects as of December 31, 2022.

These projects commitments include:

<b>Project</b>	<b>Spent to Date</b>	<b>Amount Remaining on Contract</b>
University Way/Reecer Creek Road Signalization 18-100	547,494	28,714
University Way Gateway Project 17-114 & 18-102	2,412,959	4,308,900
14th & Alder Signalization/PTC Trail Reconnect 19-099	1,526,320	291,895
Illinois Well	2,446,396	1,521,731
Helena Complete Streets Project 20-035	862,095	70,619
Sidewalk Repair Program 22-022	545,212	887
CIS software & implementation Services	191,275	542,525
Distribution Transformers		543,081
Distribution Cable		624,872
15KV Med Vltg URD Cable		617,929
Vantage Hwy Gateway II 21-05	294,166	755,834
Public Transit Operating Extension & Amendment Agreement 21-107	561,458	572,637
Middle Reach Reecer Creek Flood Hazard Reduction	919,731	1,263,876
5th Ave Railroad	224,296	297,813

#### **Note 12 – Leases**

The City leases copiers from Copiers NW and Cannon for a total of \$2,884 per month under lease agreements that range from 36 to 60 months. The leases begin and end in various time periods. These are non-cancelable contracts. In addition, there are two mailing machine leases with APS, Inc and FP Mailing Solutions for \$2,519 per quarter. The City has one five year lease with Bonneville Power for a substation, presently to end July 31, 2023, paid \$13,750 annually.

year ended December 31	Total
2023	31,752
2024	13,272
2025	4,889
2026	2,466

## **Note 13 – Subsequent Events**

### **Carbon Credits**

In 2021, the Washington Legislature passed Senate Bill 5126, the Climate Commitment Act (CCA). The CCA establishes a cap-and-invest, market-based program to reduce carbon pollution and achieve the greenhouse gas limits set in state law, which applies to both private and public utilities, including the City of Ellensburg's electric and natural gas utilities. Beginning in 2023, the cap-and-invest program sets a limit, or cap, on overall carbon emissions in the state and requires energy utilities to obtain allowances equal to their covered greenhouse gas emissions. Allowances can be purchased through quarterly auctions hosted by the Washington State Department of Ecology or bought and sold on a secondary market.

### **Ellensburg Racquet & Recreation Center**

In December of 2022, the Ellensburg Racquet & Recreation Center was destroyed in a fire. The City expects to receive full replacement cost from the insurance recovery. A larger facility with additional indoor recreation options is in the planning stage. A cost estimate is not available at the time of the report publishing.

**City of Ellensburg**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2022**

<u>ID No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>General Obligation Debt/Liabilities</b>						
251.11	2010 GO Debt Refi	12/1/2030	1,522,006	-	164,685	1,357,321
251.12	UTGO Bonds, 2014	12/1/2022	180,000	-	180,000	-
251.11	LTGO Bonds, 2017	12/1/2037	7,200,000	-	361,675	6,838,325
251.11	LTGO Bonds, 2016, issued for Telecom	12/1/2036	232,295	-	12,525	219,770
	<b>Total General Obligation Debt/Liabilities:</b>		<b>9,134,301</b>			<b>718,885</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		1,975,293	34,628	-	2,009,921
264.30	Net Pension Liability		1,025,647	897,348	-	1,922,995
252.11	Water Bond- 2013	12/1/2022	236,627	-	236,627	-
252.11	Electric Refunding Bond - 2014	12/1/2025	1,455,000	-	345,000	1,110,000
252.11	Electric Bond - 2014	12/1/2025	4,450,000	-	15,000	4,435,000
252.11	Gas 2016	12/1/2036	674,943	-	38,887	636,056
252.11	Water Sewer Refunding 2016	12/1/2029	5,490,000	-	635,000	4,855,000
264.40	OPEB		8,843,233	-	1,075,366	7,767,867
252.11	Stormwater 2020 Bond	12/1/2039	5,000,000	-	215,342	4,784,658
252.11	2021 Waterworks Bond	12/1/2040	-	9,945,800	402,285	9,543,515
263.57	Leases copiers - monthly		54,674	19,938	30,110	44,502
263.57	Leases - Mailing Equipment - quarterly		19,150	-	10,075	9,075
263.57	Lease - Substation - annual		13,750	-	13,750	-
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>29,238,317</b>	<b>10,897,714</b>	<b>3,017,442</b>	<b>37,118,589</b>
<b>Assessment Debt/Liabilities (with commitments)</b>						
253.43	LID Warrants with Commitments	7/29/2025	38,925	-	16,683	22,242
	<b>Total Assessment Debt/Liabilities (with commitments):</b>		<b>38,925</b>		<b>16,683</b>	<b>22,242</b>
	<b>Total Liabilities:</b>		<b>38,411,543</b>	<b>10,897,714</b>	<b>3,753,010</b>	<b>45,556,247</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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