



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### City of Yakima

Yakima County

For the period January 1, 2015 through December 31, 2015

Published September 26, 2016

Report No. 1017574





## Washington State Auditor's Office

September 26, 2016

Mayor and City Council  
City of Yakima  
Yakima, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Yakima's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Yakima  
Yakima County  
January 1, 2015 through December 31, 2015**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Yakima are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Community Development Block Grants/Entitlement Grants
20.507	Federal Transit – Formula Grants

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Yakima Yakima County January 1, 2015 through December 31, 2015

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the City of Yakima. The State Auditor's Office has reviewed the status as presented by the City.

<b>Audit Period:</b> 1/1/2014 – 12/31/2014	<b>Report Ref. No:</b> 1015315	<b>Finding Ref. No:</b> 2014-001	<b>CFDA Number(s):</b> 14.218
<b>Federal Program Name and Granting Agency:</b> U.S. Department of Housing and Urban Development, Office of Community Planning and Development		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The City's internal controls were not adequate to ensure compliance with Federal Accountability and Transparency Act (FFATA) reporting requirements.			
<b>Background:</b> The Federal Funding Accountability and Transparency Act of 2006 requires direct recipients of federal awards to report subawards over \$25,000. They must report each subaward using the federal government's online system by the end of the month following the month in which it was granted.  In 2014, the City entered into two contracts of \$50,000 and \$75,000. The City did not have controls in place to ensure the required reports were submitted. We consider the control deficiency to be a material weakness.			
<b>Status of Corrective Action:</b> <div style="display: flex; justify-content: space-between;"> <span><input checked="" type="checkbox"/> Fully Corrected</span> <span><input type="checkbox"/> Partially Corrected</span> <span><input type="checkbox"/> Not Corrected</span> <span><input type="checkbox"/> Finding is considered no longer valid</span> </div>			
<b>Corrective Action Taken:</b> <i>Upon discovery of the failure to report on the FFATA website, the City immediately reported all of its sub-recipients of federal grant funds. We will continue to do so. Grant staff attend annual grant trainings provided locally and the City has relied on such training to keep informed of new requirements. But the local training did not cover the new FFATA rules in a timely manner. Staff will no longer rely on the local training alone, but will access other available resources to learn about new requirements in the future.</i>			

<b>Audit Period:</b> 1/1/2014 – 12/31/2014	<b>Report Ref. No:</b> 1015315	<b>Finding Ref. No:</b> 2014-002	<b>CFDA Number(s):</b> NA
<b>Federal Program Name and Granting Agency:</b> NA		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> City of Yakima's internal controls over financial statement preparation are inadequate to ensure accurate and complete reporting.			
<b>Background:</b> We identified the following deficiencies in internal controls that, when taken together, represent a material weakness: <ul style="list-style-type: none"> <li>• City personnel preparing the financial statements did not correctly apply capital asset reporting requirements using current guidance under Generally Accepted Accounting Principles (GAAP).</li> <li>• Although the City independently reviewed the financial statements prepared, the review was not effective or timely to ensure the financial statements were accurate prior to the audit.</li> <li>• The City's process to prepare the Schedule of Expenditures of Federal Awards (SEFA) is not designed to identify federal loans that should be reported on the schedule.</li> </ul> Additionally, the City submitted its financial statements to our office 51 days after the reporting deadline as required by State law.			
<b>Status of Corrective Action:</b> <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>Capital assets now report correctly on the Governmental Activities Statement of Net Position, a very simple fix as they were reported correctly in the notes but didn't roll up correctly on the statements. The Streets Capital fund will now correctly report an assigned balance rather than unassigned. Regarding the SEFA, a more thorough review of all grants and loan proceeds is conducted to ensure federal funding is not overlooked. The City continues to update and improve our account mapping within the new financial software and the capital assets processes that caused delays in the prior year. Newer staff was trained on various processes, which enabled our annual financial report for 2015 to be filed within the 150 day requirement. With new staff doing the basic financial statement preparation, the Financial Services Manager and Director of Finance and Budget were both able to review the end product in a timely fashion. We are looking at software that enables collaborative input and review of financial statement charts and documents which would streamline the CAFR preparation and review process, allowing for more efficient completion and higher degree of accuracy.</i>			

**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 Yakima  
Yakima County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Yakima  
Yakima, 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 Yakima, Yakima County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 19, 2016. As discussed in Note 13 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

**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 19, 2016.

## **COMPLIANCE AND OTHER MATTERS**

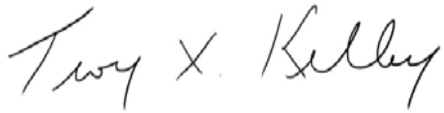
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 19, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Yakima  
Yakima County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Yakima  
Yakima, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the City of Yakima, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

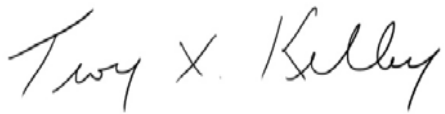
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies

in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 19, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Yakima Yakima County January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Yakima  
Yakima, 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 Yakima, Yakima County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 18.

### **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 Yakima, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 13 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 34, information on postemployment benefits other than pensions on page 99 through 102 and pension plan information on pages 103 through 107 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

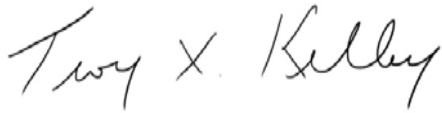
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 19, 2016

## **FINANCIAL SECTION**

**City of Yakima  
Yakima County  
January 1, 2015 through December 31, 2015**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2015

Statement of Cash Flows – 2015

Statement of Net Position – Fiduciary funds – 2015

Statement of Changes in Net Position – Fiduciary Funds – 2015

Notes to the Financial Statements – 2015

### **REQUIRED SUPPLEMENTARY INFORMATION**

Information on Postemployment Benefits Other Than Pensions – 2015

Schedule of Employer Contributions – 2015

Schedule of Funding Progress – Other Postemployment Benefits and Pensions – 2015

Schedule of Contributions and Proportionate Share of the Net Position Liability – PERS 1, PERS 2 & 3, PSERS, LEOFF 1 and LEOFF 2 – 2015

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

The City of Yakima's discussion and analysis offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2015. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and in the financial statements and notes to the financial statements (which immediately follow this discussion).

### **FINANCIAL HIGHLIGHTS**

- The total assets and deferred outflows of the City of Yakima exceeded its liabilities and deferred inflows at December 31, 2015, by \$304.3 million. Net position invested in capital (net of depreciation and related debt) account for 92.1% of this amount, with a value of \$280.3 million.
- The City's total net position increased slightly to \$304.3 million from \$303.8 million in 2014 after restatement for a prior period adjustment described in the Notes to the Financial Statements under "Change in Accounting Principle" related to the new GASB reporting requirement to present the City's share of net pension obligations of the Washington State Department of Retirement Systems.
- As of December 31, 2015, the City of Yakima's governmental activities reported combined ending net position of \$151.1 million, a decrease of \$6.3 million in comparison with the prior year. The net investment in governmental capital assets was \$152.3 million and \$22.4 million was legally restricted for specific projects or programs including \$10.8 million that represents the City's restricted pension assets for the LEOFF 1 & 2 plans. Unrestricted net position increased by \$1.9 million to negative \$23.6 million from 2014 as restated for the implementation of GASB 68. It should be noted that the impact to the unrestricted net position for governmental activities of long-term pension liabilities and other long-term postemployment benefits is \$39.8 million and that without these long-term liabilities unrestricted net position would be \$16.2 million representing 21.6% of revenue from governmental activities.
- Unassigned fund balance for the General Fund was \$5.9 million dollars at December 31, 2015. This balance represents 9.9% of total General Fund revenues. It should be noted that the City purchased 4 abandoned gas station/mini-marts for \$1.1 million in 2014 and has partnered with the Department of Ecology for environmental remediation. As the properties are cleaned, they are being resold with the proceeds restoring this temporary use of reserves - none of the properties were sold in 2015, although 1 was sold in the spring of 2016.
- The City of Yakima's total outstanding debt at December 31, 2015, was \$86.0 million (about \$47.7 million in Governmental activities and \$38.3 million in business type activities), with a remaining capacity for non-voted General Obligation debt at \$34.9 million, or 41.1% of the legal limit. Total debt decreased by \$0.8 million during the current fiscal year. Major components of the change in debt include:
  - Issuance of \$5.0 million of non-voted general obligation bonds to participate in developing a new sports complex with SOZO Sports of Yakima. The City's portions includes land development and infrastructure improvements of \$4.1 million with another \$0.9 million for an adjacent land purchase for parks facilities;
  - Making debt service payments of \$7.3 million

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Yakima's basic financial statements. The basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements.

### **Government-Wide Financial Statements**

There are two government-wide financial statements, the statement of net position and the statement of activities, which are designed to provide readers with a broad overview of the City of Yakima's finances in a manner similar to a private sector business. Both of the government-wide financial statements distinguish functions of the City of Yakima that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business type activities"). The governmental activities of the City of Yakima include a full range of local governmental services provided to the public, such as public safety (police, municipal court, fire, and building); public improvements (streets, traffic signals); parks and recreation; community development; and general administrative services. The business type activities of the City of Yakima include sanitation (solid waste disposal, wastewater treatment, and stormwater management); potable and irrigation water systems; transit; and airport.

The Statement of Net Position presents information on all of the City of Yakima's assets and deferred outflows, liabilities and deferred inflows, with the difference between the two groupings reported as net position. This statement serves a purpose similar to that of the balance sheet of a private sector business. Over time, increases or decreases in net position may serve as a useful indicator of changes in the City's financial position. However, this is just one indicator of financial health of the City. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The Statement of Activities (Changes in Net Position) presents information showing how the government's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting which requires that revenue be reported when earned and expenses be reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2015, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items may not be received or distributed in 2015.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Yakima, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Yakima can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds. Governmental Funds are used to account for most, if not all, of a government's tax supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

### **Governmental Funds**

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present a separate column of financial data for the General Fund, which is

considered to be a major fund, based on criteria established by GASB Statement #34. Data from the remaining governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements, outside of the basic financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements which use accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare 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 financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The City maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law and are adopted on a fund level. Capital outlays are approved on an item by item basis or project basis. A budgetary comparison statement is provided for the General Fund and all special revenue funds to demonstrate compliance with the budget.

### **Proprietary Funds**

There are two types of proprietary funds: Enterprise and Internal Service. Enterprise Funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Solid Waste (Refuse); Wastewater; Domestic Water; Irrigation; Stormwater; Transit; and Airport functions. Internal Service Funds (the second type of proprietary funds) accumulate and allocate costs internally among the City's various functions. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Position to the business type column on the Government-Wide Statement of Net Position, you will notice that the total net position agree and, therefore, need no reconciliation. In comparing the total assets and total liabilities between the two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

Individual fund data for each of the nonmajor funds is provided in the form of combining statements. The proprietary fund combining statements follow the governmental fund combining statements in this report.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those

funds are not available to support the City of Yakima's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Yakima has two fiduciary funds - a Firefighter pension trust fund, and an agency fund. The basic fiduciary fund financial statements can be found following the proprietary fund financial statements, in the Basic Financial Statements section.

#### 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 immediately following the basic financial statements in this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Yakima's net position total \$304.3 million at December 31, 2015. The following table reflects the condensed Government-Wide Statement of Net Position with comparative totals for 2014, as restated for the implementation of the new pension reporting standard required by the Government Accounting Standards Board (GASB) Statement 68. Details of this change in Accounting Principle are located in the notes to the financial statements.

NET POSITION (Restated for GASB 68)						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets <sup>(1)</sup>	\$ 59,656,478	\$ 64,484,228	\$ 39,970,841	\$ 31,761,145	\$ 99,627,319	\$ 96,245,373
Net capital assets	200,220,546	200,056,694	165,897,125	171,419,226	366,117,671	371,475,919
Total assets	259,877,023	264,540,921	205,867,966	203,180,371	465,744,989	467,721,292
Deferred outflows	-	-	432,515	489,280	432,515	489,280
Total assets & def outflows	259,877,023	264,540,921	206,300,481	203,669,651	466,177,504	468,210,572
Liabilities						
Payables & other liabilities	21,241,335	21,202,326	6,160,785	5,978,743	27,402,120	27,181,069
Long-term liabilities <sup>(1)</sup>	85,499,788	75,721,299	46,722,438	48,885,723	132,222,226	124,607,022
Total liabilities	106,741,123	96,923,626	52,883,223	54,864,465	159,624,346	151,788,091
Deferred inflows <sup>(1)</sup>	5,128,022	10,201,159	1,268,313	2,379,985	6,396,335	12,581,144
Total liabilities & def inflows	111,869,145	107,124,785	54,151,536	57,244,450	166,020,681	164,369,235
Net Position						
Net invest in capital assets	152,325,473	153,733,295	128,008,983	130,496,463	280,334,456	284,229,758
Restricted	22,370,932	29,146,116	2,019,340	1,808,344	24,390,272	30,954,460
Unrestricted <sup>(1)</sup>	(23,566,222)	(25,463,274)	23,121,938	14,120,394	(444,284)	(11,342,880)
Total net position, as restated	\$ 151,130,183	\$ 157,416,137	\$ 153,150,261	\$ 146,425,200	\$ 304,280,444	\$ 303,841,337

(1) 2014 restated for GASB 68 – see notes to the financial statements.

The City of Yakima's total assets stand at \$465.7 million as of December 31, 2015. Of this amount, \$366.1 million is accounted for by capital assets, which includes some infrastructure and construction in progress. Out of \$200.2 million in capital assets reported in Governmental activities at December 31, 2015, \$113.3 million (56.6%) is accounted for by infrastructure acquisitions (including the right-of-way land associated with these projects and land under the road).

Of the remaining City assets, approximately \$66.2 million was accounted for in cash, cash equivalents, and investments, \$21.4 million in various receivables, and \$1.2 million inventories and prepayments.

At December 31, 2015, the City had outstanding liabilities of \$159.6 million, of which \$132.2 million is considered long-term and is due over an extended period of time. There is a deficit in unrestricted net position in the governmental funds because the City has long-term commitments that are greater than currently available resources, primarily long-term citywide pension benefits and other post-employment benefit liabilities for certain police officers and firefighters. Refer to the notes to the financial statements for a more in depth discussion of pension liabilities.

Current liabilities for the entire City in both governmental and business type activities total \$27.4 million, and include \$4.7 million in accounts payable, \$4.6 million in claims and judgments payable, \$7.1 million in accrued salaries and benefits, \$1.5 million in compensated absences accrued, and other various liabilities. Also included are debt payments due within the next calendar year totaling \$7.4 million.

The largest portion of the City's net position (92.1%) reflects its investment in capital, less any outstanding related debt used to acquire those assets. The City's capital assets, which are used to provide services to citizens, are investments in capital and are not available for future spending. Although the City's investment in 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.

Approximately 8.0% of the City's net position is subject to external restrictions on how they may be used (restricted by the Revised Code of the State of Washington or by contractual agreements with parties outside of the primary government).

At December 31, 2015, the City of Yakima reports a net position of \$304.3 million, of which \$151.1 million represents governmental activities and \$153.2 represents business type activities.

#### **The Statement of Activities (Changes in Net Position)**

The City of Yakima's total net position increased slightly by \$0.4 million over 2014 as restated for the prior period adjustment resulting from the implementation of GASB 68 and restatement of 2014 to provide comparative pictures of both years. Net position for governmental activities decreased by \$6.3 million while business type activities increased by \$6.7 million. A major component of this decrease was the use of General Fund balance of about \$2.0 million. A drought was declared in April of 2015, and since our economy is primarily agriculturally based, both sales tax and utility taxes related to water use came in below budgeted estimates of about \$1.6 million. Even though operating budgets were tasked with reducing expenditures, unusual circumstances, including an active fire season, large medical claims both for inmates and in our self-insured fund, and a severance package for the City Manager combined to drive total expenditures slightly over budget. The net effect of reduced revenue and extraordinary expenditures created this one-time use of General Fund reserves. Additionally, depreciation expense increased about \$1.0 million.



A prior period adjustment was recognized in 2015 related to the City's implementation of GASB 68. This adjustment is shown in 2014 on the comparative chart below in order to restate 2014 to the new standard. In so doing, readers can compare the various categories of net position as though the standard were in effect for both years.

Total revenues for the City of Yakima were \$130.3 million in 2015. Governmental activities provided \$75.0 million (57.5%), while business type activities added \$55.4 million (42.5%).

Expenses for the year totaled \$130.0 million, with governmental activities accounting for \$89.3 million or 68.7% and business type activities accounting for \$40.7 million or 31.3%. Key elements in changes in net position are shown in the following table.

#### CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 14,861,825	\$ 14,000,319	\$ 43,171,918	\$ 43,871,032	\$ 58,033,743	\$ 57,871,351
Oper grants & cont's	6,700,242	5,126,387	3,206,137	2,546,534	9,906,379	7,672,921
Capital grants & cont's	1,698,358	5,098,759	3,226,199	4,265,441	4,924,557	9,364,200
General revenues						
Property tax	16,427,031	16,130,658	-	-	16,427,031	16,130,658
Sales tax	22,036,712	21,536,529	5,565,978	5,456,905	27,602,690	26,993,434
Other taxes	12,587,979	12,301,017	-	-	12,587,979	12,301,017
Other	<u>657,673</u>	<u>2,077,399</u>	<u>203,949</u>	<u>418,971</u>	<u>861,622</u>	<u>2,496,370</u>
Total revenues	<u>74,969,818</u>	<u>76,271,068</u>	<u>55,374,181</u>	<u>56,558,883</u>	<u>130,343,999</u>	<u>132,829,951</u>
Expenses						
General government	10,934,631	11,306,925	-	-	10,934,631	11,306,925
Public safety	48,220,877	48,645,079	-	-	48,220,877	48,645,079
Utilities	454,804	1,729,063	-	-	454,804	1,729,063
Transportation	14,367,542	10,839,036	-	-	14,367,542	10,839,036
Economic environment	5,159,477	4,476,875	-	-	5,159,477	4,476,875
Public health service	681,916	639,588	-	-	681,916	639,588
Culture & recreation	7,710,611	7,145,627	-	-	7,710,611	7,145,627
Interest long-term debt	1,776,056	1,434,288	-	-	1,776,056	1,434,288
Transit	-	-	9,045,238	8,890,510	9,045,238	8,890,510
Airport	-	-	1,845,561	1,824,586	1,845,561	1,824,586
Refuse	-	-	4,336,907	4,992,669	4,336,907	4,992,669
Wastewater	-	-	14,403,285	15,540,721	14,403,285	15,540,721
Water	-	-	7,297,236	7,110,622	7,297,236	7,110,622
Irrigation	-	-	2,134,575	2,077,786	2,134,575	2,077,786
Stormwater	<u>-</u>	<u>-</u>	<u>1,609,027</u>	<u>1,351,408</u>	<u>1,609,027</u>	<u>1,351,408</u>
Total expenses	<u>89,305,915</u>	<u>86,216,480</u>	<u>40,671,829</u>	<u>41,788,302</u>	<u>129,977,744</u>	<u>128,004,782</u>

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Increase (decrease) in net position before transfer	(14,336,096)	(9,945,412)	14,702,352	14,770,581	366,255	4,825,169
Gain/loss sale cap assets	29,359	(19,780)	43,490	(117,598)	72,849	(137,378)
Transfers	8,020,783	6,643,115	(8,020,783)	(6,643,115)	-	-
Change in net position	(6,285,954)	(3,322,076)	6,725,059	8,009,868	439,105	4,687,791
Net position - January 1	157,416,137	168,218,461	146,425,200	148,758,277	303,841,336	316,976,738
Prior period adjustment	-	(7,480,248)	-	(10,342,945)	-	(17,823,193)
Net position - December 31	<u>\$ 151,130,182</u>	<u>\$ 157,416,137</u>	<u>\$ 153,150,259</u>	<u>\$ 146,425,200</u>	<u>\$ 304,280,441</u>	<u>\$ 303,841,336</u>

### Governmental Activities

Within governmental activities, tax revenue accounted for 68.1% of total revenue sources, with grants and contributions accounting for 11.2%. The remaining 20.7% of revenue was provided by charges for services, interest income, and miscellaneous revenues. (Note: the revenue indicators in these charts do not include one-time only financing sources, such as proceeds from new debt or the sale of assets.)

Governmental activities decreased net position by \$6.3 million or 4.0%. Total revenues decreased by \$1.3 million or 1.7%. The significant fluctuations in revenue are as follows:

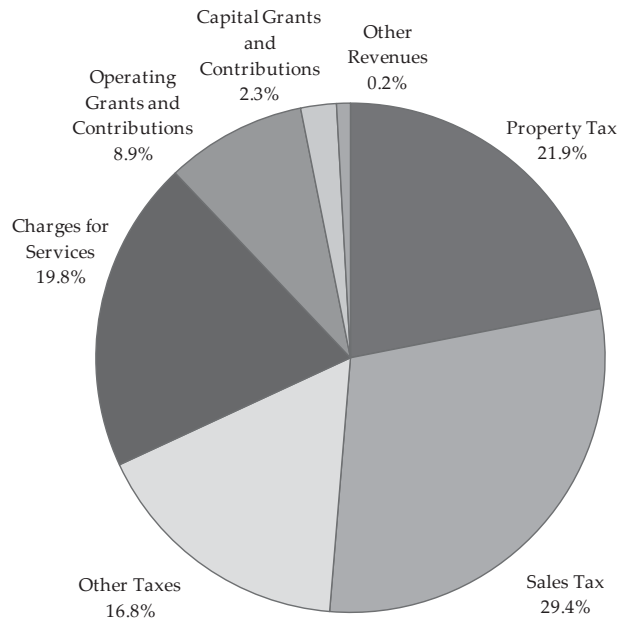
- Capital Grants & Contributions decreased by \$3.4 million, primarily because 2014 included the second major railroad grade separation project that built a new underpass which was mostly funded by grants.
- Total taxes increased by \$1.1 million or 2.2% from \$50.0 million to \$51.1 million.
  - Property Taxes increased \$0.3 million or 1.8% consisting primarily of a 1.0% increase in the base levy (capped by state law) plus new construction.
  - Sales Tax increased by \$0.5 million or 2.3% from 2014. This key revenue source was estimated to grow at about 4%, but starting in mid-year 2015 the City experienced a significant lag in sales tax revenue growth due to drought conditions in the area resulting in constriction of spending in the local agricultural sector.
- Transfers from Business Type Activities consists primarily of in-lieu utility taxes of \$6.8 million. Also included are transfers by enterprise funds to the Vehicle Replacement Reserve. This category increased by \$1.4 million primarily because of variability in contributions to the equipment replacement internal service fund.

The largest program expenses consist of Public Safety - 54.0%; General Government - 12.2% and Transportation - 16.1%. These programs accounted for 82.3% of total governmental expenses.

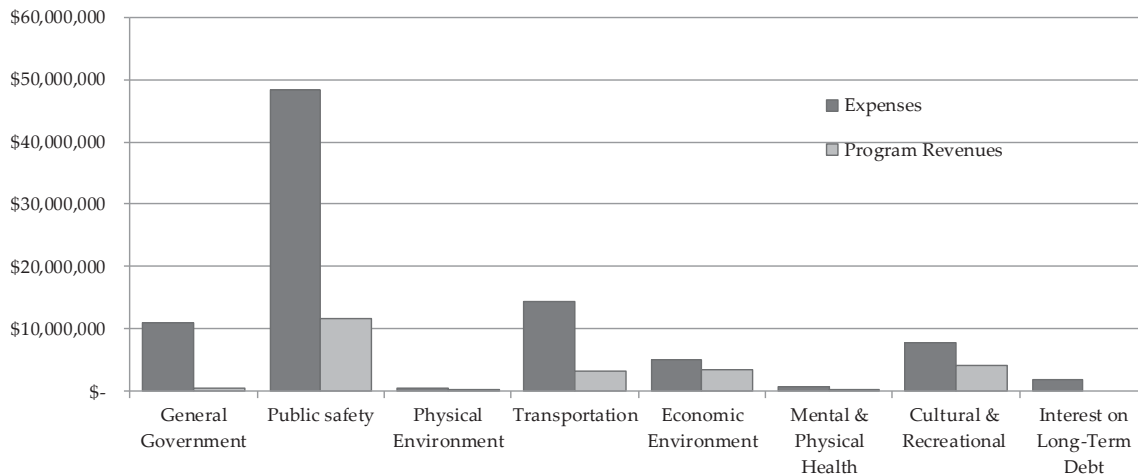
In total, governmental expenses increased \$3.1 million or 3.6%. An increase of about \$1.0 million in depreciation expense and normal inflationary pressures are major factors. Most bargaining units settled between 2.0 to 2.5%.

Following are graphs which illustrate revenue by source and expenditures by program for governmental funds in 2015.

## REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



## EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



### Business Type Activities

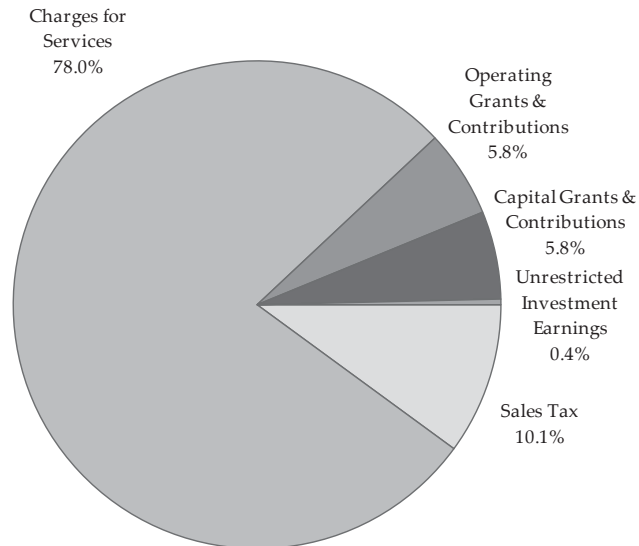
Of the \$55.4 million in business type revenues, 78.0% was provided by charges for services, with the remaining amount provided by grants, contributions, transit sales tax and interest income. Overall, business type revenues demonstrated a decrease of \$1.2 million or 2.1% over 2014. Charges for Services declined by about \$0.7 million, as none of the utilities imposed a rate increase in 2015, and the drought encouraged water conservation and resulting reductions in both water and wastewater revenues.

Of the \$40.7 million in business type expenses, 35.4% are associated with the Wastewater program and 22.2% with Transit, domestic water programs represent about 17.9%, Refuse 10.7%, Irrigation 5.2%, Airport 4.5%

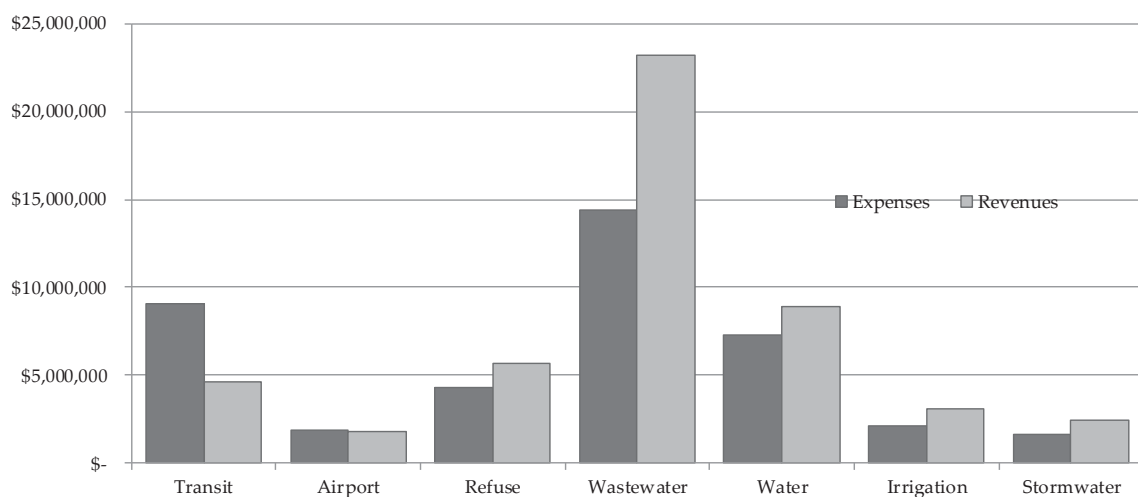
and Stormwater 4.0%. Generally, changes in expenses are in line with changes in general operating increases, although expense reduction measures were implemented when lower revenue trends were recognized, resulting in a flat increase to net position of approximately \$14.7 million in both years.

The following charts depict the expenses and program revenues, with a breakdown of revenues by source for the business type activities.

#### REVENUES BY SOURCE – BUSINESS TYPE ACTIVITIES



#### EXPENSES AND PROGRAM REVENUES – BUSINESS TYPE ACTIVITIES



Charges for services represent the majority 78.0% of revenue in these funds. The only fund that does not rely heavily on charges for service is the Transit fund, which is subsidized by a voter approved local option sales tax of 0.3% and a federal operating grant.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City of Yakima uses fund accounting to ensure and demonstrate compliance with finance related legal and regulatory requirements. Following is a financial analysis of the City's governmental and proprietary funds.

### **Governmental Funds Analysis**

The General Fund is the City's only major fund (as defined in GASB #34) in 2015. The General Fund accounts for 36.8% of total governmental fund assets and 26.7% of total governmental fund balances.

The focus of the City of Yakima's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2015, the City's governmental funds reported combined fund balances of \$22.0 million. Of this total amount, about \$5.5 million (25.0%) is unassigned and available for spending within these funds. About \$0.6 million is not spendable (cemetery perpetual care), \$11.5million is restricted (primarily for transportation, capital improvements, and public safety), \$2.7 million is committed primarily for transportation system improvements and \$1.6 million is assigned primarily for public safety.

The General Fund is the chief operating fund of the City of Yakima. At the end of the 2015 fiscal year, unassigned fund balance of the General Fund was \$5.9 million. Unassigned fund balance is about 9.6% of total general fund revenues (which represents about a 1.24 month reserve). Total assets in the General Fund amounted to \$14.4 million, accounting for 36.8% of total governmental fund assets.

The fund balance of the City of Yakima's General Fund decreased by \$2.0 million during the current fiscal year. As sales tax revenue rebounded in 2013 and 2014, Council approved strategic initiatives to enhance primarily Public Safety and Transportation. However, due to drought conditions the growth in sales tax revenue that has been experienced since the recession stagnated during the summer and fall months caused by a sharp decline in agricultural spending. As discussed previously, General Fund also experienced some one-time expenditures, with the net reduction in revenue and increased expenditures using fund balance. With a good snow pack it is predicted that growing conditions will be improved with adequate water availability in the coming year and the resulting impact on general fund reserves is expected to be positive. The City Council has been briefed on the situation, and has authorized budget reductions early in 2016 to bring General Fund into balance and start rebuilding the reserves. The other extraordinary item to consider in the General Fund balance is that the City used \$1.1 million in 2014 to purchase 4 abandoned gas station/mini-marts with the intention of partnering with the Department of Ecology for environmental remediation. Once these properties are cleaned, they will be resold—\$400,000 was included in the 2015 General Fund revenue budget for a sale, but the sale was postponed until the spring of 2016. Assuming the City can recoup the original \$1.1 million in the resale, General Fund balance would be \$7.0 million or 11.8% of total General Fund revenue.

The General Fund accounts for 69.8% of all governmental fund revenue and 59.7% of all expenditures.

Other governmental funds ended with a net decrease in fund balances of \$2,104,763. The Public Safety Communications Fund used \$1.2 million of fund balance, as they were moving the 911 and Public Safety Dispatch operation to a new facility. Most other funds had only modest changes in fund balance.

### **Enterprise Funds Analysis**

Transit, Wastewater, Domestic (potable) Water, and Irrigation Water are considered major funds in the City's 2015 (GASB 34) Financial Statements while the Yakima Air Terminal, Refuse, and Stormwater are nonmajor funds.

As of December 31, 2015, the City's enterprise funds (internal service fund balances are treated entirely as governmental activities) reported combined net position of \$153.2 million, with \$71.7 million or approximately 46.8% being contributed by the Wastewater fund. Additionally, about \$128.0 million (83.6%) of net position is accounted for by investment in capital assets, net of related debt, \$2.0 million is restricted for debt service and \$23.1 million is unrestricted. The Notes to the Financial Statements (Note 12) present segment information that is grouped according to revenue bond requirements for these business type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

### General Fund Changes in Budget

The following table shows the 2015 General Fund Adopted (original) Budget, the amended (final) Budget, Actual revenue and expenditure amounts, and the variance of Actuals compared to the Final budget.

### CHANGE IN GENERAL FUND BALANCE

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	w/ Final Budget
Revenues				
Taxes and assessments	\$ 47,333,295	\$ 47,333,295	\$ 45,492,351	\$ (1,840,944)
Licenses and permits	1,429,050	1,429,050	1,530,699	101,649
Intergovernmental revenues	2,137,146	2,137,146	2,109,278	(27,868)
Charges for services	7,928,162	7,928,162	8,126,955	198,793
Fines and forfeitures	1,658,310	1,658,310	1,605,864	(52,446)
Interest	268,000	268,000	435,559	167,559
Other revenues	179,978	179,978	101,927	(78,051)
Total revenues	<u>60,933,941</u>	<u>60,933,941</u>	<u>59,402,633</u>	<u>(1,531,308)</u>
Expenditures				
Current				
General government	12,290,297	12,490,226	12,390,124	100,102
Public safety	38,910,935	38,952,512	39,202,169	(249,657)
Utilities	1,319,395	1,358,384	1,361,959	(3,575)
Transportation	882,550	882,550	801,759	80,791
Economic environment	1,721,296	1,721,296	1,741,232	(19,936)
Public health services	19,500	19,500	22,430	(2,930)
Capital outlay				
General government	75,000	101,085	102,681	(1,596)
Public safety	-	-	16,207	(16,207)
Debt service				
Principal	786,197	786,197	841,486	(55,289)
Interest and related charges	164,555	164,555	179,225	(14,670)
Total expenditures	<u>56,169,725</u>	<u>56,476,305</u>	<u>56,659,272</u>	<u>(182,967)</u>
Excess (deficiency) of revenues over (under) expenditures	4,764,216	4,457,636	2,743,361	(1,714,275)

	Budgeted Amounts		Actual Amounts	Variance w/ Final Budget
	Original	Final		
Other financing sources (uses)				
Transfers in	-	-	4,009	(4,009)
Transfers out	(4,805,371)	(4,805,371)	(4,761,621)	(43,750)
Other	400,000	400,000	7,867	392,133
Total other financing sources (uses)	<u>(4,405,371)</u>	<u>(4,405,371)</u>	<u>(4,749,745)</u>	<u>(344,374)</u>
Net change in fund balances	358,845	52,265	(2,006,384)	(2,058,649)
Fund balances - January 1	8,394,076	8,394,076	7,873,757	(520,319)
Fund balances - December 31	<u>\$ 8,752,921</u>	<u>\$ 8,446,341</u>	<u>\$ 5,867,373</u>	<u>\$ (2,578,968)</u>

During the year, the 2015 General Fund Expenditure budget was increased from \$56.2 million to \$56.5 million, or by about \$0.3 million consisting entirely of the carry forward of appropriations for outstanding encumbrances / commitments which were to be funded from General Fund reserves:

#### General Fund Budget to Actual

Total General Fund revenues were originally budgeted at about \$60.9 million - there was no formal change in the revenue budget, although the year end estimates were reduced mid-year. As discussed earlier, a drought negatively affected both Sales and Utility Taxes, bringing actual revenue down to \$59.4 million.

General Fund expenditures, including other financing uses, totaled \$61.4 million, exceeding the final budget by \$527,000. Because of pressures in risk management funds most of the positive variance generated by position vacancies and other spending constraints was transferred to shore up those balances. Additionally, there were some unforeseen, one-time expenditures that came late in the year. Council was informed of these overages and the condition of the General Fund balance in a 2015 Year-End Budget Revenue & Expenditure Report presented at their April 5, 2016 meeting.

The General Fund budget is typically built assuming positive variances in both revenue and expenditures. Revenue is conservatively estimated, while expenditure estimates utilize highest probable costs. Historically, actual amounts have been close to "break even", with actual revenues slightly exceeding expenditures. 2015 was an exception because of the revenue downturn tied to a drought in our agriculturally based economy, and some unanticipated expenditures. Measures have been taken in 2016 to keep expenditures within revenues and to begin to rebuild reserve balances.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

The City of Yakima's total investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2015, amounts to \$366.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, infrastructure, and construction in progress on buildings and systems.

Governmental Activities: Capital assets from governmental activities were virtually unchanged from 2014 to 2015, at \$200.2 million. The addition of new assets just slightly exceeded depreciation expense by about \$0.2 million.

Business-type Activities: Business-type capital activities decreased by \$5.5 million, attributable primarily to depreciation expenses exceeding capital investment. The Water and Wastewater utilities were both in a planning stage for their capital improvement program and had greatly reduced capital spending in 2015.

#### CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital assets						
Land	\$ 17,466,377	\$ 15,650,502	\$ 5,648,404	\$ 5,582,170	\$ 23,114,781	\$ 21,232,672
Building	33,689,856	34,975,076	29,675,719	31,468,822	63,365,575	66,443,898
Impr other than bldg	8,479,542	7,732,426	98,668,378	97,702,900	107,147,920	105,435,326
Machinery & equipment	18,324,092	17,463,738	16,592,224	17,923,270	34,916,316	35,387,008
Infrastructure	113,298,754	120,174,944	-	-	113,298,754	120,174,944
Intangibles	-	-	1,185,100	1,279,572	1,185,100	1,279,572
Construction in progress	8,961,925	4,060,007	14,127,299	17,462,492	23,089,224	21,522,499
Total capital assets	<u>\$ 200,220,546</u>	<u>\$ 200,056,693</u>	<u>\$ 165,897,124</u>	<u>\$ 171,419,226</u>	<u>\$ 366,117,671</u>	<u>\$ 371,475,919</u>

Additional information on the City of Yakima's capital assets can be found in Note 4 of this report.

#### Long-Term Debt

On December 31, 2015, the City of Yakima had total bonded debt outstanding of about \$54.7 million. Of this amount, \$37.6 million is classified as governmental activity and backed by the full faith and credit of the City. The remaining \$17.1 million represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

In 2015 the City issued \$5.0 million limited tax general obligation (LTGO) bonds to develop a new multipurpose sports complex in partnership with SOZO Sports of Central Washington, a local non-profit organization. This debt will be repaid with Parks Fund revenues as part of a Charter amendment passed by voters in 2014 to allocate \$750,000 annually (adjusted for inflation) for parks improvements. City of Yakima's total bonded debt had a net increase of \$3.6 million when the total LTGO debt service payments are netted from the new bond issue.

The City's remaining capacity for non-voted debt on December 31, 2015, was approximately \$34.9 million in comparison to the total legal limit of \$84.9 million. The City has a policy of retaining 30% of its non-voted capacity for emergencies. In May, 2014 the City was upgraded to "AA-" rating from Standard & Poor's for general obligation debt in conjunction with accessing debt markets for a street renovation project. The combined Water and Wastewater utility was affirmed at "AA-" in September 2015. A summary of the City's debt follows. Additional information on the City's long-term obligations can be found in Note 9.

#### OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 37,644,965	\$ 34,039,193	\$ -	\$ -	\$ 37,644,965	\$ 34,039,193
Revenue bonds	-	-	17,059,095	17,785,000	17,059,095	17,785,000
Intergovernmental loans	6,252,753	6,126,180	21,261,563	22,335,079	27,514,316	28,461,259
Other debt	3,764,897	6,158,023	-	314,461	3,764,897	6,472,484
Total outstanding debt	<u>\$ 47,662,615</u>	<u>\$ 46,323,396</u>	<u>\$ 38,320,658</u>	<u>\$ 40,434,540</u>	<u>\$ 85,983,273</u>	<u>\$ 86,757,936</u>



## ECONOMIC FACTORS

There are a number of factors that have a fiscal impact on various revenues of the City, including voter approved initiatives over the last few years, as well as changes in State and Federal regulations. Following is a list of significant factors, which have an impact on the City's revenues. The City is committed to the continued application of sound fiscal management practices to ensure balanced budgets are maintained and critical core services are provided to our citizens.

- In 2001 state voters approved Initiative 747, which capped property tax levy growth each year at a maximum of 1%, plus any additions for annexations and new construction. This initiative represents a restriction on local government revenue growth, which makes budget balancing more difficult because actual inflation rates have grown at an average of 3 times the 1% limitation.
- The Downtown area is in transition from a retail center to a central business district. The City has actively participated in several projects to upgrade the downtown over the past 5 years, including infrastructure and pedestrian improvements in the downtown core, and the upgrade/expansion of the historic City owned Capitol Theatre, located in the center of the downtown area. The City completed a Downtown Master Plan in 2013, and design work on projects identified in the Plan is in process in 2015.
- The unemployment rate (8.4% as of April, 2016) in the County continues to be higher than the state and national average. The County's predominant industry is agriculture and related support. This industry has a history of high unemployment rates, seasonal employment, and low median household income (Yakima is about 72% of the state average). However, the agriculture based local economy was not as negatively affected in the recent severe national recession as many other cities around the state and country. Yakima County MSA is experiencing growth in total employment. Between April of 2015 and 2016, the Yakima County nonfarm labor market added 3,604 jobs, a 3.3% upturn. All employment categories, with the exception of "Manufacturing" and "Health Care and Social Assistance" experienced an increase from April of 2015.
- Efforts to diversify our economic base include expansion of the current community college to offer four-year degree programs through major state institutions, including Washington State University and University of Washington. Additionally, a medical school began instruction in late 2008 - the first class graduated in May, 2011. A local technical institute is planning an expansion, and is diligent to work with local industries to provide needed programs.
- A major economic development initiative that the City is embarking on is a competitive state redevelopment/tax increment program called Local Infrastructure Financing Tool (LIFT), as set forth in RCW 39.102. The redevelopment area consists of 556 acres adjacent to Interstate 82, formerly used as a sawmill and plywood plant. The City received an award of up to \$1 million per year for 25 years from the state to support required infrastructure improvements to service the new mixed use proposed development. The first year of participation by the state was 2011. In 2015, a roundabout was constructed that would provide access into the area. Because of all the complexities surrounding a project of this scope, most of the remaining phases are still in a planning stage.
- In 2015, City voters approved a Charter amendment to designate \$750,000 annually to a Parks Capital program. The City is partnering with 2 local non-profits to develop a multipurpose sports complex, and a new aquatic center. Debt service on these 2 projects is estimated to be about \$750,000. Bonds for the sports complex were issued in 2015, while the aquatic center will likely need funding in 2017.

The 2016 budget is balanced for all funds, within guidelines established by city management, to accomplish municipal service levels and priorities set by City Council. The City of Yakima has established a consistent track record of living within our means, and was awarded for that strong budgetary performance with an upgrade in our credit rating by Standard and Poors in 2014. For the 2016 budget, the major revenues were estimated assuming the continued growth of the local economy. This growth was allocated to programs in alignment with the Council's strategic priorities of public safety; improving the built environment; economic development; public trust and accountability; and partnership development. To date, the improvements in

revenues are continuing, and General Fund is within the expected parameters. Overall, citywide budget results are performing as expected.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Yakima's finances for all those with an interest in the government's finances. This report, along with the City's published budget documents are posted on the City's website at [www.yakimawa.gov/services/finance](http://www.yakimawa.gov/services/finance). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Yakima – Finance Department, 129 North Second Street, Yakima, WA 98901.

**STATEMENT OF NET POSITION**

December 31, 2015

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 15,019,061	\$ 4,236,010	\$ 19,255,071
Investments	18,368,398	26,512,528	44,880,926
Receivables, net of allowance for uncollectible accounts			
Taxes	5,122,960	996,813	6,119,773
Accounts	4,501,744	3,324,183	7,825,927
Other receivables	94,160	-	94,160
Notes and contracts receivable	4,432,673	-	4,432,673
Due from other governments	461,866	2,485,609	2,947,475
Inventories and prepayments	785,663	396,357	1,182,020
Total current assets	48,786,525	37,951,500	86,738,025
Noncurrent assets			
Restricted cash	-	586,503	586,503
Restricted investments	-	1,432,838	1,432,838
Capital assets not being depreciated			
Land	17,466,377	5,648,404	23,114,781
Construction in progress	8,961,925	14,127,300	23,089,225
Capital assets, net of accumulated depreciation			
Buildings	33,689,856	29,675,719	63,365,575
Machinery, equipment and vehicles	18,324,091	16,592,224	34,916,315
Infrastructure	113,298,755	-	113,298,755
Other improvements and utility systems	8,479,542	98,668,378	107,147,920
Intangibles	-	1,185,100	1,185,100
Other noncurrent assets			
Net pension asset	10,869,953	-	10,869,953
Total noncurrent assets	211,090,499	167,916,466	379,006,965
Total assets	259,877,023	205,867,966	465,744,989
Deferred outflows of resources			
Deferred amount on refunding	-	432,515	432,515
Deferred outflows related to pension	3,122,305	1,001,316	4,123,621
Total deferred outflows of resources	3,122,305	1,433,831	4,556,136
Total assets and deferred outflows	262,999,328	207,301,797	470,301,125

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**STATEMENT OF NET POSITION**

December 31, 2015

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts and contracts payable	3,939,793	794,457	4,734,250
Claims and judgments	4,596,713	-	4,596,713
Deposits payable	154,742	624,471	779,213
Accrued salaries and benefits	5,749,447	1,332,261	7,081,708
Compensated absences	1,236,094	228,866	1,464,960
Custodial accounts	872,510	-	872,510
Other current liabilities	-	31,273	31,273
Interest payable	232,457	213,220	445,677
Debt principal due within one year	4,459,578	2,936,237	7,395,815
Total current liabilities	21,241,335	6,160,785	27,402,120
Noncurrent liabilities			
Compensated absences	7,196,320	1,381,487	8,577,807
Pension liability	15,032,104	8,463,633	23,495,737
Other postemployment benefits (OPEB)	20,068,327	1,492,898	21,561,225
Debt payments due in more than one year	43,203,037	35,384,420	78,587,457
Total noncurrent liabilities	85,499,788	46,722,438	132,222,226
Total liabilities	106,741,123	52,883,223	159,624,346
Deferred inflows of resources			
Deferred inflows related to pension	5,128,022	1,268,313	6,396,335
Total liabilities and deferred inflows	111,869,145	54,151,536	166,020,681
Net position			
Net investment in capital assets	152,325,473	128,008,983	280,334,456
Restricted for:			
Public safety and emergency programs	574,542	-	574,542
Arterial street construction & maintenance	1,281,875	-	1,281,875
Housing & economic development	973,475	-	973,475
Debt service	232,621	2,019,340	2,251,961
Capital improvements	7,048,140	-	7,048,140
Tourism, conv & business improvement	1,390,326	-	1,390,326
Pension plans	10,869,953	-	10,869,953
Unrestricted	(23,566,222)	23,121,938	(444,284)
Total net position	\$ 151,130,183	\$ 153,150,261	\$ 304,280,444

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges f/ Services	Grants & Contributions		Gov't Activities	Business-type Activities	Total
		Operating	Capital				
Governmental activities							
General government	\$ 10,934,631	\$ 420,809	\$ -	\$ -	\$ (10,513,821)	\$ -	\$ (10,513,821)
Public safety	48,220,877	8,503,720	3,258,465	-	(36,458,692)	-	(36,458,692)
Utilities	454,804	238,596	-	-	(216,208)	-	(216,208)
Transportation	14,367,542	47,249	1,961,380	1,179,851	(11,179,062)	-	(11,179,062)
Economic environment	5,159,477	1,729,591	1,405,649	228,341	(1,795,896)	-	(1,795,896)
Public health services	681,916	-	65,170	-	(616,746)	-	(616,746)
Culture & recreation	7,710,611	3,921,858	9,578	290,165	(3,489,009)	-	(3,489,009)
Interest on long-term debt	1,776,056	-	-	-	(1,776,056)	-	(1,776,056)
Total governmental activities	<u>89,305,915</u>	<u>14,861,825</u>	<u>6,700,242</u>	<u>1,698,358</u>	<u>(66,045,490)</u>	<u>-</u>	<u>(66,045,490)</u>
Business-type activities							
Transit	9,045,238	1,353,585	3,206,137	43,468	-	(4,442,048)	(4,442,048)
Airport	1,845,561	1,313,580	-	455,605	-	(76,376)	(76,376)
Refuse	4,336,907	5,670,636	-	-	-	1,333,729	1,333,729
Wastewater	14,403,285	20,931,897	-	2,237,873	-	8,766,485	8,766,485
Water	7,297,236	8,581,751	-	336,847	-	1,621,362	1,621,362
Irrigation	2,134,575	3,048,334	-	5,900	-	919,659	919,659
Stormwater	1,609,027	2,272,135	-	146,506	-	809,614	809,614
Total business-type activities	<u>40,671,829</u>	<u>43,171,918</u>	<u>3,206,137</u>	<u>3,226,199</u>	<u>-</u>	<u>8,932,425</u>	<u>8,932,425</u>
Total	<u>\$ 129,977,744</u>	<u>\$ 58,033,743</u>	<u>\$ 9,906,379</u>	<u>\$ 4,924,557</u>	<u>(66,045,490)</u>	<u>8,932,425</u>	<u>(57,113,066)</u>
General revenues							
Taxes							
Property taxes					16,427,031	-	16,427,031
Sales and use taxes					22,036,712	5,565,978	27,602,690
Franchise and utility tax					9,719,492	-	9,719,492
Excise tax					2,868,487	-	2,868,487
Unrestricted investment earnings					451,525	(43,490)	408,035
Judgments and settlements					8,394	-	8,394
Miscellaneous					197,753	247,439	445,192
Gain (loss) disposition of capital assets					29,359	43,490	72,849
Transfers					8,020,783	(8,020,783)	-
Total general revenues & transfers					<u>59,759,536</u>	<u>(2,207,366)</u>	<u>57,552,171</u>
Change in net position					(6,285,954)	6,725,059	439,105
Net position - beginning					164,896,385	156,768,145	321,664,530
Direct adjustment to beginning net position - GASB 68					(7,480,248)	(10,342,945)	(17,823,193)
Net position - ending					<u>\$ 151,130,183</u>	<u>\$ 153,150,259</u>	<u>\$ 304,280,442</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

December 31, 2015

	General Fund	Other Gov't Funds	Total Gov't Funds
<b>Assets</b>			
Cash & cash equivalents	\$ 132,272	\$ 10,176,294	\$ 10,308,566
Cash with fiscal agent	151,805	170,776	322,581
Investments	6,748,987	8,034,348	14,783,335
Receivables			
Taxes	4,597,223	495,113	5,092,336
Customer accounts	2,526,032	1,076,662	3,602,694
Interest	92,305	-	92,305
Notes & contracts	-	4,128,599	4,128,599
Due from other governments	154,812	307,053	461,865
Due from other funds	-	125,000	125,000
Inventories & prepayments	25,000	304,665	329,665
Total assets	<u>14,428,436</u>	<u>24,818,510</u>	<u>39,246,946</u>
<b>Liabilities</b>			
Accounts payable	1,153,461	1,899,898	3,053,359
Contracts payable	-	137,854	137,854
Wages & benefits payable	4,558,398	964,733	5,523,131
Custodial accounts	227,660	799,558	1,027,218
Due to other funds	-	125,000	125,000
Other liabilities	67,726	2,445	70,171
Total liabilities	<u>6,007,245</u>	<u>3,929,488</u>	<u>9,936,733</u>
<b>Deferred inflows of resources</b>			
Deferred taxes receivable	376,961	170,452	547,413
Unavailable revenue and notes	2,176,857	4,593,309	6,770,166
Total deferred inflows of resources	<u>2,553,818</u>	<u>4,763,761</u>	<u>7,317,579</u>
Total liabilities and deferred inflows	<u>8,561,063</u>	<u>8,693,249</u>	<u>17,254,312</u>
<b>Fund balances</b>			
Nonspendable	-	647,731	647,731
Restricted	-	11,500,978	11,500,978
Committed	-	2,699,548	2,699,548
Assigned	-	1,642,833	1,642,833
Unassigned	5,867,373	(365,829)	5,501,544
Total fund balances	<u>5,867,373</u>	<u>16,125,261</u>	<u>21,992,634</u>
Total liabilities, deferred inflows & fund balances	<u>\$ 14,428,436</u>	<u>\$ 24,818,510</u>	<u>\$ 39,246,946</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

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December 31, 2015

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds (previous page)	\$ 21,992,634
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	190,601,430
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	7,317,579
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in government activities in the statement of net position.	11,613,769
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(56,003,102)
Pension and other postemployment benefits are not due and payable in the current period and therefore are not reflected in the funds.	(24,392,127)
Net position of governmental activities	<u>\$ 151,130,183</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**


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For the Year Ended December 31, 2015

	General Fund	Other Gov't Funds	Total Gov't Funds
Revenues			
Taxes and assessments	\$ 45,492,351	\$ 14,434,969	\$ 59,927,320
Licenses and permits	1,530,699	687,493	2,218,192
Intergovernmental revenue	2,109,278	4,732,694	6,841,972
Charges for services	8,126,955	4,043,864	12,170,819
Fines and forfeitures	1,605,864	-	1,605,864
Interest	435,559	48,580	484,139
Other revenues	101,927	1,709,120	1,811,047
Total revenues	<u>59,402,633</u>	<u>25,656,720</u>	<u>85,059,353</u>
Expenditures			
Current			
General government	12,390,124	788,599	13,178,723
Public safety	39,202,169	5,161,816	44,363,985
Utilities	1,361,959	281,178	1,643,137
Transportation	801,759	5,586,323	6,388,082
Economic environment	1,741,232	2,623,482	4,364,714
Public health services	22,430	628,494	650,924
Cultural and recreation	-	5,939,681	5,939,681
Capital outlay			
General government	102,681	1,308,718	1,411,399
Public safety	16,207	1,834,605	1,850,812
Transportation	-	5,827,911	5,827,911
Natural and economic environment	-	491,450	491,450
Cultural and recreation	-	2,398,513	2,398,513
Debt service			
Principal	841,486	3,521,694	4,363,180
Interest and related charges	179,225	1,781,556	1,960,781
Total expenditures	<u>56,659,272</u>	<u>38,174,020</u>	<u>94,833,292</u>
Excess (deficiency) of revenues over (under) expenditures	2,743,361	(12,517,300)	(9,773,939)
Other financing sources (uses)			
Proceeds from issuance of long-term debt	-	5,457,000	5,457,000
Transfers in	4,009	9,029,040	9,033,049
Transfers out	(4,761,621)	(4,303,314)	(9,064,935)
Sale of capital assets	-	229,811	229,811
Other	7,867	-	7,867
Total other financing sources (uses)	<u>(4,749,745)</u>	<u>10,412,537</u>	<u>5,662,792</u>
Net change in fund balances	(2,006,384)	(2,104,763)	(4,111,147)
Fund balances - January 1	7,873,757	18,230,024	26,103,781
Fund balances - December 31	<u>\$ 5,867,373</u>	<u>\$ 16,125,261</u>	<u>\$ 21,992,634</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.



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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES**


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For the Year Ended December 31, 2015

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Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance: \$ (4,111,147)

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. This is the amount by which capital outlays exceeded depreciation in the current period. (307,403)

In the statement of activities, only the gain on the sale of fund assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the fund assets. This also includes donations of capital assets and infrastructure obtained by annexation. 94,787

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 579,719

The issuance of debt proceeds provide current financial resources to governmental funds, while the repayment of principal consumes the current financial resources of governmental funds. Neither has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of debt and related items. (573,333)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (compensated absences, OPEB, inventory). (373,810)

Internal service funds are used by management to charge the costs of services to individual funds. The net revenue (expenses) of certain internal service funds is reported with governmental activities. (1,594,768)

Change in net position, as reflected on the Statement of Activities \$ (6,285,955)

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

# STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES – BUDGET & ACTUAL – GENERAL FUND

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes and assessments	\$ 47,333,295	\$ 47,333,295	\$ 45,492,351	\$ (1,840,944)
Licenses and permits	1,429,050	1,429,050	1,530,699	101,649
Intergovernmental revenues	2,137,146	2,137,146	2,109,278	(27,868)
Charges for services	7,928,162	7,928,162	8,126,955	198,793
Fines and forfeitures	1,658,310	1,658,310	1,605,864	(52,446)
Interest	268,000	268,000	435,559	167,559
Other revenue	179,978	179,978	101,927	(78,051)
Total revenues	<u>60,933,941</u>	<u>60,933,941</u>	<u>59,402,633</u>	<u>(1,531,308)</u>
Expenditures				
Current				
General government	12,290,297	12,490,226	12,390,124	100,102
Public safety	38,910,935	38,952,512	39,202,169	(249,657)
Utilities	1,319,395	1,358,384	1,361,959	(3,575)
Transportation	882,550	882,550	801,759	80,791
Natural and economic environment	1,721,296	1,721,296	1,741,232	(19,936)
Public health services	19,500	19,500	22,430	(2,930)
Capital outlay				
General government	75,000	101,085	102,681	(1,596)
Public safety	-	-	16,207	(16,207)
Debt service				
Principal	786,197	786,197	841,486	(55,289)
Interest and related charges	164,555	164,555	179,225	(14,670)
Total expenditures	<u>56,169,725</u>	<u>56,476,305</u>	<u>56,659,272</u>	<u>(182,967)</u>
Excess (deficiency) of revenues over (under) expenditures	4,764,216	4,457,636	2,743,361	(1,714,275)
Other financing sources (uses)				
Transfers in	-	-	4,009	(4,009)
Transfers out	(4,805,371)	(4,805,371)	(4,761,621)	(43,750)
Other	400,000	400,000	7,867	(392,133)
Total other financing sources (uses)	<u>(4,405,371)</u>	<u>(4,405,371)</u>	<u>(4,749,745)</u>	<u>(344,374)</u>
Net change in fund balances	358,845	52,265	(2,006,384)	(2,058,649)
Fund balances - January 1	<u>8,394,076</u>	<u>8,394,076</u>	<u>7,873,757</u>	<u>(520,319)</u>
Fund balances - December 31	<u>\$ 8,752,921</u>	<u>\$ 8,446,341</u>	<u>\$ 5,867,373</u>	<u>\$ (2,578,968)</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

December 31, 2015

	Business-type Activities						Gov't Activities
	Transit	Wastewater	Water	Irrigation	Other Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>							
Current assets							
Cash and cash equivalents	\$ 460,186	\$ 1,570,869	\$ 769,022	\$ 225,661	\$ 1,204,177	4,229,915	\$ 4,387,912
Cash with fiscal agent	-	-	-	-	6,095	6,095	1,854
Investments	3,041,261	12,027,011	6,258,229	1,887,995	3,298,032	26,512,528	3,585,062
Receivables, net allow f/uncoll accts							
Taxes	942,921	-	-	-	53,892	996,813	-
Accounts	92,715	1,893,955	200,491	358,150	691,796	3,237,107	956,990
Other receivables	45,203	-	-	-	41,873	87,076	276,758
Due from other governments	2,485,609	-	-	-	-	2,485,609	-
Due from other funds	-	-	-	-	170,000	170,000	-
Inventories and prepayments	-	-	396,357	-	-	396,357	455,998
Total current assets	<u>7,067,895</u>	<u>15,491,835</u>	<u>7,624,099</u>	<u>2,471,806</u>	<u>5,465,865</u>	<u>38,121,500</u>	<u>9,664,574</u>
Noncurrent assets							
Restricted cash	-	185,310	366,380	34,813	-	586,503	-
Restricted investments	-	1,432,838	-	-	-	1,432,838	-
Capital Assets not being depreciated							
Land	1,307,989	649,505	173,613	98,500	3,418,797	5,648,404	-
Construction in progress	-	3,583,478	6,572,348	3,114,346	857,128	14,127,300	-
Capital assets, net of accum dep							
Buildings	2,435,110	20,814,072	5,292,674	320,874	812,989	29,675,719	7,405
Other improvements	1,036,211	45,499,166	29,359,923	15,186,982	7,586,096	98,668,378	513,909
Machinery, equip & vehicles	3,772,324	11,707,499	389,826	5,792	716,783	16,592,224	9,097,802
Intangibles	-	-	185,659	-	999,441	1,185,100	-
Total noncurrent assets	<u>8,551,634</u>	<u>83,871,868</u>	<u>42,340,423</u>	<u>18,761,307</u>	<u>14,391,234</u>	<u>167,916,466</u>	<u>9,619,116</u>
Total assets	<u>15,619,529</u>	<u>99,363,703</u>	<u>49,964,522</u>	<u>21,233,113</u>	<u>19,857,099</u>	<u>206,037,966</u>	<u>19,283,690</u>
Deferred outflows of resources							
Deferred amount on refunding	-	419,551	12,964	-	-	432,515	-
Deferred outflows rel to pension	233,911	353,201	182,188	49,499	182,517	1,001,316	180,613
Total deferred outflows of resources	<u>233,911</u>	<u>772,752</u>	<u>195,152</u>	<u>49,499</u>	<u>182,517</u>	<u>1,433,831</u>	<u>180,613</u>
Total assets and deferred outflows	<u>15,853,440</u>	<u>100,136,455</u>	<u>50,159,674</u>	<u>21,282,612</u>	<u>20,039,616</u>	<u>207,471,797</u>	<u>19,464,303</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

December 31, 2015

	Business-type Activities						Gov't Activities
					Other Enterprise Funds	Total	Internal Service Funds
	Transit	Wastewater	Water	Irrigation	Funds	Total	Funds
Liabilities							
Current liabilities							
Accounts payable	297,063	195,082	100,616	8,840	159,727	761,328	672,799
Contracts payable	-	-	8,632	-	24,496	33,128	-
Claims and judgments	-	-	-	-	-	-	4,596,713
Deposits payable	-	327,936	113,308	-	183,227	624,471	-
Accrued salaries and benefits	350,207	398,855	242,090	62,362	278,747	1,332,261	231,935
Compensated absences	53,700	83,060	41,264	9,899	40,944	228,867	47,381
Due to other funds	-	-	-	-	170,000	170,000	-
Other current liabilities	795	3,703	18,130	-	8,646	31,274	23
Interest payable	-	111,687	40,686	60,847	-	213,220	-
Debt prin due within one year	-	1,854,393	946,844	135,000	-	2,936,237	-
Total current liabilities	701,765	2,974,716	1,511,570	276,948	865,787	6,330,786	5,548,851
Noncurrent liabilities							
Compensated absences	316,758	498,519	253,385	62,374	250,451	1,381,487	277,003
Bonds payable	-	11,386,372	452,333	3,745,389	-	15,584,094	-
Pension liability	1,977,132	2,985,434	1,539,942	418,395	1,542,730	8,463,633	1,526,629
Other postemployment benefits	348,745	526,600	271,630	73,800	272,123	1,492,898	269,281
Debt pmts due over one year	-	9,605,965	10,194,361	-	-	19,800,326	-
Total noncurrent liabilities	2,642,635	25,002,890	12,711,651	4,299,958	2,065,304	46,722,438	2,072,913
Total liabilities	3,344,400	27,977,606	14,223,221	4,576,906	2,931,091	53,053,224	7,621,764
Deferred inflows of resources							
Deferred inflow related to pension	296,281	447,380	230,767	62,698	231,187	1,268,313	228,771
Total liabilities and deferred inflows	3,640,681	28,424,986	14,453,988	4,639,604	3,162,278	54,321,537	7,850,535
Net Position							
Net investment in capital assets	8,551,634	59,826,541	30,393,469	14,846,105	14,391,234	128,008,983	9,619,116
Restricted for debt service	-	1,618,148	366,380	34,812	-	2,019,340	-
Unrestricted	3,661,125	10,266,780	4,945,837	1,762,091	2,486,104	23,121,937	1,994,652
Total net position	\$12,212,759	\$71,711,469	\$35,705,686	\$16,643,008	\$16,877,338	\$153,150,260	\$11,613,768

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**

For the Year Ended December 31, 2015

	Business-type Activities					Gov't Activities	
					Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Transit	Wastewater	Water	Irrigation	Funds	Funds	Funds
Operating revenues							
Charges and fees for services	\$ 1,232,752	\$ 20,909,441	\$ 8,738,919	\$ 3,047,555	\$ 8,398,689	\$ 42,327,356	\$ 3,870,124
Charges for insurance	-	-	-	-	-	-	3,684,460
Employer contributions	-	-	-	-	-	-	9,573,354
Employee contributions	-	-	-	-	-	-	1,550,006
Other operating revenue	55,803	-	63,112	-	852,761	971,676	-
Total operating revenues	1,288,555	20,909,441	8,802,031	3,047,555	9,251,450	43,299,032	18,677,944
Operating expenses							
Personnel services	3,869,150	4,470,107	2,471,648	682,414	2,892,548	14,385,867	1,912,398
Materials and supplies	701,393	807,602	609,048	82,120	369,707	2,569,870	1,505,667
Contractual services	3,452,568	8,448,538	4,253,847	805,116	4,585,328	21,545,397	7,737,184
Claims and other benefits	-	-	-	-	29,027	29,027	10,702,409
Depreciation	1,022,128	4,249,590	1,496,554	373,231	906,169	8,047,672	1,276,712
Total operating expenses	9,045,239	17,975,837	8,831,097	1,942,881	8,782,779	46,577,833	23,134,370
Operating income (loss)	(7,756,684)	2,933,604	(29,066)	1,104,674	468,671	(3,278,801)	(4,456,426)
Nonoperating revenues (expenses)							
Grants and subsidies	8,772,115	-	-	-	548,173	9,320,288	-
Interest revenue	2,449	2,200	425	500	881	6,455	243,037
Other nonoperating revenues	23,387	15,958	26,735	280	4,020	70,380	1,365,731
Interest and other debt service costs	-	(496,291)	(171,054)	(191,694)	-	(859,039)	-
Gain (loss) on disposal of property	39,194	4,296	-	-	-	43,490	(54,463)
Total nonoperating revenues (expenses)	8,837,145	(473,837)	(143,894)	(190,914)	553,074	8,581,574	1,554,305
Income (loss) before conts & transfers	1,080,461	2,459,767	(172,960)	913,760	1,021,745	5,302,773	(2,902,121)
Capital contributions	43,468	2,237,873	336,847	5,900	53,938	2,678,026	20,206
Transfers in	74,676	43,512	9,103	1,811	47,957	177,059	1,529,315
Transfers (out)	-	(309,821)	(202,979)	(30,000)	(890,000)	(1,432,800)	(242,168)
Change in net position	1,198,605	4,431,331	(29,989)	891,471	233,640	6,725,058	(1,594,768)
Net position - January 1	13,430,298	70,928,473	37,617,554	16,262,833	18,528,989	156,768,147	15,074,144
Direct adjustment to beginning net position - GASB 68	(2,416,144)	(3,648,335)	(1,881,879)	(511,296)	(1,885,291)	(10,342,945)	(1,865,608)
Net position - December 31	\$ 12,212,759	\$ 71,711,469	\$ 35,705,686	\$ 16,643,008	\$ 16,877,338	\$ 153,150,260	\$ 11,613,768

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

For the Year Ended December 31, 2015

	Business-type Activities						Gov't
					Other	Total	Internal
	Transit	Wastewater	Water	Irrigation	Enterprise Funds	Enterprise Funds	Service Funds
Cash flows from operating activities							
Receipts from customers	\$ 194,809	\$ 20,876,263	\$ 8,723,269	\$ 3,040,621	\$ 8,182,450	\$ 41,017,412	\$ 7,554,584
Contributions received - employer & employee	-	-	-	-	-	-	11,123,360
Payments to suppliers and service providers	(4,145,033)	(10,163,760)	(5,312,527)	(935,755)	(4,962,265)	(25,519,340)	(9,329,024)
Payments to employees for salaries & benefits	(3,872,944)	(4,551,498)	(2,469,055)	(665,771)	(2,815,842)	(14,375,110)	(1,927,141)
Other receipts	55,803	-	63,112	-	852,761	971,676	-
Payments to claimants and beneficiaries	-	-	-	-	(29,027)	(29,027)	(10,149,938)
Net cash provided by operating activities	<u>(7,767,365)</u>	<u>6,161,005</u>	<u>1,004,799</u>	<u>1,439,095</u>	<u>1,228,077</u>	<u>2,065,611</u>	<u>(2,728,159)</u>
Cash flows from noncapital financing activities							
Sales tax received	5,565,978	-	-	-	-	5,565,978	-
Operating grants	2,341,068	-	-	-	92,568	2,433,636	-
Other receipts	<u>74,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,977</u>	<u>126,653</u>	<u>2,667,879</u>
Net cash provided noncapital financing activities	<u>7,981,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,545</u>	<u>8,126,267</u>	<u>2,667,879</u>
Cash flows from capital financing activities							
Proceeds from debt financing	-	181,502	395,871	-	-	577,373	-
Proceeds from disposal of property	41,911	4,296	-	280	-	46,487	59,752
Capital grants and contributions	43,468	2,069,098	238,627	-	455,605	2,806,798	-
Principal paid on capital debt	-	(2,014,028)	(941,844)	(130,000)	-	(3,085,872)	-
Acquisition and construction of capital assets	(17,826)	(519,489)	(467,972)	(621,700)	(574,485)	(2,201,472)	(1,747,189)
Interest and related charges paid	-	(536,736)	(174,177)	(186,008)	-	(896,921)	-
Other receipts	23,387	15,958	26,735	-	-	66,080	-
Transfers in	-	43,512	9,103	1,811	-	54,426	-
Transfers out	-	(309,821)	(202,979)	(30,000)	(890,000)	(1,432,800)	(15,000)
Net cash provided by (used for) financing	<u>90,940</u>	<u>(1,065,708)</u>	<u>(1,116,636)</u>	<u>(965,617)</u>	<u>(1,008,880)</u>	<u>(4,065,901)</u>	<u>(1,702,437)</u>
Cash flows from investing activities							
Proceeds from sale of investments	3,024,511	9,367,162	6,760,377	1,552,815	3,782,454	24,487,319	8,451,470
Interest on investments	2,449	2,200	425	500	881	6,455	243,037
Purchase of investments	<u>(3,041,261)</u>	<u>(13,459,849)</u>	<u>(6,258,229)</u>	<u>(1,887,995)</u>	<u>(3,298,032)</u>	<u>(27,945,366)</u>	<u>(3,585,063)</u>
Net cash provided by investing activities	<u>(14,301)</u>	<u>(4,090,487)</u>	<u>502,573</u>	<u>(334,680)</u>	<u>485,303</u>	<u>(3,451,592)</u>	<u>5,109,444</u>
Net increase (decrease) in cash & cash equivalents	290,996	1,004,810	390,736	138,798	849,045	2,674,385	3,346,727
Cash and cash equivalents - January 1	<u>169,190</u>	<u>751,369</u>	<u>744,666</u>	<u>121,676</u>	<u>361,227</u>	<u>2,148,128</u>	<u>1,041,185</u>
Cash and cash equivalents - December 31	<u>\$ 460,186</u>	<u>\$ 1,756,179</u>	<u>\$ 1,135,402</u>	<u>\$ 260,474</u>	<u>\$ 1,210,272</u>	<u>\$ 4,822,513</u>	<u>\$ 4,387,912</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

# STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

For the Year Ended December 31, 2015

	Business-type Activities						Gov't
	Transit	Wastewater	Water	Irrigation	Other Enterprise Funds	Total Enterprise Funds	Internal
							Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operations							
Operating income (loss)	\$ (7,756,684)	\$ 2,933,604	\$ (29,066)	\$ 1,104,674	\$ 468,671	\$ (3,278,801)	\$ (4,456,426)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations							
Depreciation expense	1,022,128	4,249,590	1,496,554	373,231	906,169	8,047,672	1,276,712
(Increase) decrease in net accounts receivable	(1,037,943)	(33,178)	(15,650)	(6,934)	(63,087)	(1,156,792)	176,440
(Increase) decrease in due to/other governments	(865,069)	-	-	-	(153,152)	(1,018,221)	-
(Increase) decrease in inventory	-	-	(72,253)	-	-	(72,253)	(91,722)
(Decrease) increase in accounts payable	14,245	(470,882)	(150,085)	(24,624)	(195,756)	(827,102)	(170,891)
(Decrease) increase in wages/benefits payable	(5,317)	5,208	(23,520)	(1,735)	20,460	(4,904)	-
(Decrease) increase in accrued liabilities	-	(24,539)	22,645	9,278	-	7,384	-
(Decrease) increase in compensated absences	(3,794)	(14,730)	25,196	13,267	76,706	96,645	(14,743)
(Decrease) increase in contracts payable	-	(441,946)	(227,294)	(22,160)	168,066	(523,334)	-
(Decrease) increase in claims & judgments	-	(42,122)	(21,728)	(5,902)	-	(69,752)	552,471
Total adjustments	(875,750)	3,227,401	1,033,865	334,421	759,406	4,479,343	1,728,267
Net cash provided by (used for) operations	\$ (8,632,434)	\$ 6,161,005	\$ 1,004,799	\$ 1,439,095	\$ 1,228,077	\$ 1,200,542	\$ (2,728,159)
Schedule of noncash capital & related financing activities							
Contribution of capital assets	\$ -	\$ 168,775	\$ 98,220	\$ 5,900	\$ 53,938	\$ 326,833	\$ -

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**

December 31, 2015

	Firemen's Relief and Pension	Agency Fund	Total
Assets			
Cash & equity in pooled investments	\$ 122,719	\$ 113,786	\$ 236,505
Investments, at amortized cost	907,038	-	907,038
Taxes	25,048	6,185	31,233
Equipment	-	855,321	855,321
Total assets	<u>1,054,805</u>	<u>975,292</u>	<u>2,030,097</u>
Liabilities			
Warrants/accounts payable	9,907	-	9,907
Due to other governmental units	-	975,292	975,292
Total liabilities	<u>9,907</u>	<u>975,292</u>	<u>\$ 985,199</u>
Deferred inflows	25,048	-	25,048
Total liabilities and deferred inflows	<u>34,955</u>	<u>975,292</u>	<u>1,010,247</u>
Net position			
Held in trust for pension benefits and other purposes	<u>\$ 1,019,850</u>	<u>\$ -</u>	<u>\$ 1,019,850</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.



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**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**For the Year Ended December 31, 2015

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	<b>Firemen's Relief and Pension</b>
Additions	
Employer contributions	\$ 1,265,220
Interest	<u>500</u>
Total additions	<u>1,265,720</u>
Deductions	
Administrative/overhead	53,203
Pension benefits	621,267
Other benefits	<u>545,944</u>
Total deductions	1,220,414
Change in net position	45,306
Total net position - January 1	<u>974,543</u>
Total net position - December 31	<u>\$ 1,019,849</u>

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended December 31, 2015

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the City of Yakima, Washington, conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The City has adopted the pronouncements of the Governmental Accounting Standards Board (GASB) which is the accepted standard setting body for establishing governmental accounting and financial reporting principles nationally. The following is a summary of the more significant policies. The policies should be reviewed as an integral part of the financial statements and are presented to assist the reader in interpreting the financial statements and other data in this report.

**NEW ACCOUNTING STANDARD**

In 2012 the Governmental Accounting Standards Board issued Statement 68 – Accounting and Financial Reporting for Pensions, effective for reporting years ending in 2015. The City implemented GASB Statement 68 in 2015 and presented restated 2014 balances in the comparative charts presented in the Management Discussion and Analysis section of this document. This new statement requires local government employers who participate in cost-sharing plans to recognize the proportionate share of the collective pension amounts for all benefits provided through the plans. This change in reporting has had a material impact to the City of Yakima. The related assets, deferred outflows, liabilities and deferred inflows are presented in Note 5 – Pension Plans.

The implementation also resulted in an adjustment to beginning net position on the citywide Statement of Activities and the Statement of Revenues, Expenses and Changes in Fund Net Position.

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business Type</b>	<b>Total</b>
	<b>Activity</b>	<b>Activity</b>	
PERS 1	\$ (8,730,272)	\$ (4,930,206)	\$ (13,660,478)
PERS 2/3	(7,332,275)	(4,140,722)	(11,472,997)
PSERS 2	4,482	-	4,482
LEOFF 1	2,095,990	-	2,095,990
LEOFF 2	5,209,810	-	5,209,810
Total adjustment to beginning net position	\$ (8,752,265)	\$ (9,070,928)	\$ (17,823,193)

**REPORTING ENTITY**

The City of Yakima was incorporated in 1886 and operates under a Council/Manager form of government with a full-time City Manager. The City of Yakima provides a full range of municipal services, which include: police, fire, engineering, parks, cemetery, street, economic development, and administrative services. Included in the City's Enterprise Fund financial reports are: water, irrigation, sanitary wastewater, solid waste, stormwater, transit and the Yakima Air Terminal, which was operated under a joint venture agreement with Yakima County, but became a City department in early 2013.

The City's financial statements include all funds, agencies and boards which are financially accountable to the City. Financial accountability is manifest when the primary government appoints the majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial burdens on the primary government. The primary government

may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify the budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government.

Although a separate legal entity, the City has elected to account for the operations of the *Yakima Regional Public Facilities District*, as a blended component unit, in two Nonmajor Special Revenue Funds. The cities of Yakima, Selah and Union Gap originally formed a Public Facilities District (PFD) for the purpose of expanding the Yakima Convention Center and in 2008 added expansion of the Capitol Theatre. The City appoints a majority of the board members and must approve the annual budget. The financial agreement stipulates that all revenue derived by the PFD (primarily two separate state sales tax credits) be transferred to the City and the City will use these funds for the applicable project debt service and operations, and reimbursement of administrative costs of the PFD.

Applying these criteria, the primary government statements consist of the legal entity of the City and the blended component unit of the Yakima Regional Public Facilities District.

**Related Organizations** – The City’s officials are also responsible for appointing the members of the boards of another organization, but the City’s accountability for this organization does not extend beyond making the appointments.

The *Yakima Housing Authority (YHA)* was created by Resolution No. D-1575, in 1971, and, under certain conditions, can be dissolved by the City. Yet, it is an independent entity with distinct governmental character and organization. The City of Yakima created the Housing Authority per Washington State Revised Code Chapter 35.82 which provides that liabilities incurred by the Housing Authority will be satisfied from its assets, and that no person shall have any right of action against the City on account of its debts, obligations, and liabilities.

## **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements 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 segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City’s policy is to allocate indirect costs to individual functions, if they are non-tax supported.

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; 2) fines and forfeitures; and 3) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

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

## MEASUREMENT FOCUS, BASIS OF ACCOUNTING & FINANCIAL STATEMENT PRESENTATION

### Government Wide

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

### Fund Financial Statements

All 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 revenues to be available if they are collected within sixty days of the end of the current fiscal period. 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.

Certain charges for service, sales based taxes, and interest associated within the current period are 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. Grants are considered measurable and available to the extent that expenditures have been made. Other intergovernmental revenues are considered measurable and available when earned. Other revenues such as state shared revenue, licenses, fines and fees are not considered susceptible to accrual since they are not generally measurable until received. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Yakima reports the following major governmental funds:

- The **General Fund** is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following enterprise funds as major funds:

- The **Transit Fund** accounts for the operation of the City Transit System, funded primarily by 0.3% sales tax, federal grants and fares.
- The **Water and Wastewater Funds** account for the provision of water and wastewater services to the residents of the City and other outside utility agreements.
- The **Irrigation Utility Fund** is responsible for the operation, maintenance and reconstruction of the existing irrigation system.

Additionally, the government reports the following fund types:

- **Internal Service Funds** account for fleet management services, liability insurance, employee benefit reserves, and public works administration services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.
- **Fiduciary Funds** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting, with the exception of agency funds which technically have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition.
  - **Pension Trust Funds** are used to account for the operations of trust established for employee retirement benefits. They are accounted for in essentially the same manner as proprietary funds because of the need for determining the periodic income of the trust.
  - **Agency Funds** account for assets held by the City as an agent for joint, intergovernmental operations through interlocal agreements. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City is the fiduciary agent for the fiscal activity of Yakima Consortium for Regional Public Safety (YAKCORPS).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## **ASSETS, LIABILITIES, DEFERRED OUTFLOWS / INFLOWS, AND FUND BALANCE / NET POSITION**

### **Cash, Cash Equivalents and Investments**

Cash is considered to be cash on hand, demand deposits, and highly liquid investments with maturities of three months or less from the date of acquisition. Included in this category are all funds held in the Washington State Treasurer's Local Government Investment Pool (LGIP).

The LGIP is comparable to an SEC regulated Rule 2a-7 money market fund in which funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk.

Under the City's investment policy, excess cash balances are invested. The City is authorized by State law to purchase certificates of deposit issued by Washington State depositories that participate in a state insurance

poll managed by the Washington Public Deposit Protection Commission; investment deposits in a qualified public depository located in the State of Washington; U.S. Treasury and Agency securities; banker's acceptances trading in the secondary market; Washington State Treasurers Local Government Investment Pool; and repurchase agreements with dealers that use authorized securities as collateral. As further discussed in Note 4, the City reports investments at net book value.

#### **Receivables**

Taxes receivable consists of property and other taxes including related interest and penalties (See Note 4). Customer accounts receivable consists of amounts due from private individuals or organizations for goods and services incurred in the normal course of conducting business. Customer accounts receivable are reported net of estimated uncollectible accounts in proprietary funds. Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments. Accrued interest receivable consists of amounts earned on investments, notes, and contracts as of year-end. Notes and contracts receivable consists of amounts owed on open account from private individuals or organizations for goods and services rendered. The major component of the notes receivable category is in the Community Development fund and represents a revolving home ownership assistance program.

#### **Amounts Due To and From Other Funds; Interfund Loans and Advances Receivable**

These accounts include all interfund receivables and payables. A separate schedule of interfund loans receivable and payable is furnished in Note 4 – Interfund Receivables.

#### **Amounts Due To and From Other Governments**

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services, except amounts billed for utility usage which is included in customer receivables.

#### **Inventories**

Inventories in the General Fund, Enterprise Funds and Internal Service Funds are valued at cost using the weighted average method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

#### **Restricted Assets and Liabilities**

These accounts contain resources for debt service reserve requirements and debt redemption in the enterprise funds.

#### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long lived assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, and lighting systems.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	25 - 40 Years
Improvements other than buildings	7 - 50 Years
Utility plant	33 - 50 Years
Equipment	2 - 25 Years
Intangibles (organization costs and goodwill)	75 - 100 Years
Infrastructure	15 - 50 Years

These accounts reflect the liability for net monetary assets being held by the City in its trustee or agency capacity.

#### **Deferred Outflow of Resources**

Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involved no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. It also represents access to present service capability that is under the government's controls.

#### **Pensions**

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

#### **Current Liabilities**

Liabilities include primarily salaries and benefits payable and claims and judgments payable in the Internal Service Funds, current portion due on long-term debt and other liabilities due.

#### **Noncurrent Liabilities**

Noncurrent liabilities include long-term debt, compensated absences, cumulative unfinanced liability related to post-employment benefits and pension liabilities as prescribed by GASB 68.

**Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The bond proceeds are reported as "other financing sources".

**Compensated Absences** – Contracts with employees call for the accumulation of vacation and sick leave. At termination of employment, employees may receive cash payment for all accumulated vacation up to a certain number of hours and a percentage of sick leave, depending on employee group. The payment is based on current wage at termination.



The amounts of unpaid vacation and sick leave accumulated by City employees are accrued as expenses when incurred in proprietary funds, which use the accrual basis of accounting. In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The City uses the last-in, first-out method of recognizing the hours used of compensated absences. Employees are charged for the last day of vacation or sick leave earned when the leave is used. Thus, unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued. Therefore, the entire unpaid liability for the governmental funds is a reconciling item between the fund and government-wide presentations.

#### **Deferred Inflow of Resources**

Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period. A deferred inflow of resources involved no acquisition of resources resulting in either a net increase in assets or a net decrease in liabilities. It represents a present obligation to sacrifice resources that the government has little or no discretion to avoid.

#### **Net Positions and Fund Balances**

Net position is segregated into three categories on the government-wide statement of net position: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. The flow assumption of the city is to use restricted assets before unrestricted assets. Restricted assets are usually set aside in a separate fund, specifically used for the purpose of debt service or capital replacement.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which require the City to classify its fund balances based on spending constraints imposed on the use of resources.

***Nonspendable*** – Represents balances set aside to indicate items that do not represent available, spendable resources even though they are a component of assets. Fund balances are required to be maintained intact and include permanent funds and assets not expected to be converted to cash, such as inventories, and notes receivable.

***Restricted*** – Are funds that have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which require the resources to be used only for a specific purpose.

***Committed*** – These funds have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council.

***Assigned*** – Funds in this category are amounts constrained by the City to be used for a specific purpose, but are neither restricted nor committed and may be changed.

***Unassigned*** – This represents the residual amounts that have not been restricted, committed, or assigned.

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### **NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS**

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#### **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

The governmental fund balance sheet includes reconciliation between *fund balance – total government funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$190,601,430 are as follows:



Land	\$ 17,466,377
Construction in progress	8,961,140
Buildings	57,531,324
Less: Accumulated depreciation - buildings	(23,848,873)
Machinery, equipment and vehicles	22,563,051
Less: Accumulated depreciation - machinery, equipment and vehicles	(13,336,762)
Infrastructure	289,317,582
Less: Accumulated depreciation - infrastructure	(176,018,827)
Other improvements	17,499,412
Less: Accumulated depreciation - other improvements	(9,532,994)
Net adjustment to increase total fund balances - total government funds to arrive at net position - governmental activities	<u>\$ 190,601,430</u>

Another element of that reconciliation explains “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(56,003,102) difference are as follows:

Bonds payable	\$ (36,213,366)
Add: Issuance premium (to be amortized over the life of the debt)	(1,431,599)
Intergovernmental loans	(6,252,753)
Lease purchase agreements	(3,764,897)
Compensated absences	<u>(8,108,030)</u>
Subtotal	<u>(55,770,645)</u>
Accrued interest payable	(232,457)
Net adjustment to reduce total fund balances - total government funds to arrive at net position - governmental activities	<u>\$ (56,003,102)</u>

The effect of long-term pension assets, liabilities and deferred inflows and outflows of resources as well as liabilities for Other Postemployment Benefits do not impact current economic resources and are therefore not reported in the funds. Details of this \$(24,392,127) difference are as follows:

Pension asset	\$ 10,869,953
Net pension liability	(13,505,475)
Deferred outflow change in proportionate share	2,941,692
Deferred inflow change in proportionate share	(4,899,251)
Other postemployment benefit obligation	(19,799,046)
Net adjustment to reduce total fund balances - total government funds to arrive at net position - governmental activities	<u>\$ (24,392,127)</u>

#### **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 fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that

reconciliation explains that “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.” This is the amount by which capital outlays exceeded depreciation expense in the current period. The details of this \$(307,403) difference are as follows:

Capital outlay	\$ 12,066,071
Depreciation expense	(12,373,474)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (307,403)</u>

Another element of that reconciliation states that “in the statement of activities, only the gain on the sale of fund assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the fund assets. This also includes donations of capital assets and infrastructure obtained by annexation.” The details of this \$94,787 difference are as follows:

In the statement of activities, only loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in the fund balance by the cost of the capital assets sold.	\$ (132,283)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	227,070
Net adjustment to increase total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 94,787</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) 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 premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items”. The details of this \$(573,333) difference are as follows:

Debt issued	
Issuance of general obligation bonds	\$ (5,000,000)
Intergovernmental loans	(457,000)
Principal repayments	
General obligation debt	2,825,828
Intergovernmental loans	330,427
Lease purchase agreements	809,500
Interfund loans repaid	733,187
Interest accrued	184,725
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (573,333)</u>

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**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**BUDGETS AND BUDGETARY ACCOUNTING****Scope of Budget**

The City Council annually approves the City's operating budget. The operating budget is designed to allocate annually available resources among the City's services and programs and to provide for associated financing decisions.

Annual appropriated budgets are adopted on the modified accrual basis of accounting. For governmental funds, there are no differences between 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 the General Fund which is the only major governmental fund. Budgets for special revenue funds are required to be prepared, but not required to be reported individually in this report. Budgets for debt service and capital projects are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lines of debt issues or projects. Budgets for proprietary funds, although not legally required, are prepared for operational oversight. Budgetary comparisons for all funds not presented in this report may be requested from the Department of Finance and Budget.

Annual appropriated budgets are adopted at the fund level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

Appropriations for general and special revenue funds lapse at year end.

**Procedures for Adopting the Original Budget**

The City's budget procedures are mandated by Washington State Law. The steps in the budget process are as follows:

- Prior to November 1, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months and balanced with revenue estimates.
- The Council conducts two public hearings on the proposed budget in November/December to obtain taxpayer comments.
- During December, the budget is legally enacted through passage of an ordinance.

**Amending the Budget**

The City Manager is authorized to transfer budgeted appropriations between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of permanently authorized employee positions, salary ranges, or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by an ordinance approved by a one more than simple majority of those council members present after holding two public hearings.

The budget amounts shown in the financial statements represent the original adopted budget and all supplemental appropriations. City-wide, supplemental appropriations totaled \$15.7 million. The principal amendments were to: 1) appropriate the purchase of land and improvements for a new soccer complex in the amount of \$5.0 million; 2) reappropriate 2014 outstanding encumbrances in the amount of \$4.9 million and 3) appropriate the purchase of a utility billing software package in the amount of \$1.5 million.

**Excess of Expenditures over Appropriations**

General Fund slightly exceeded its \$61.3 million budget by about \$130,000. There were unforeseen one-time expenditures late in the year. City Council was apprised of the overage in a 2015 Year-End Budget Revenue & Expenditure Report presented at their April 5, 2016 meeting.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City reappropriates outstanding encumbrances in the subsequent year.

**FUND EQUITY****Nonspendable Fund Balance in Permanent Funds**

The fund balance of \$647,731 in the Cemetery Trust Fund represents a portion of the amounts paid for cemetery plots. Provisions of these sales require \$120 of the sales price be held in trust and that the income on the investment of these amounts be used to maintain the plots.

**Fiduciary Fund Net Position**

The Firemen's Relief and Pension Fund has Net Position held in Trust for Pension Benefits and other purposes of \$1,019,850 which represents the accumulated contributions made by the government through property taxes plus interest earnings and state fire insurance premium tax proceeds.

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**NOTE 4 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

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**DEPOSITS AND INVESTMENTS****Deposits**

The City of Yakima maintains deposit relationships with several Washington State commercial banks and savings and loan institutions that are classified as Public Depositories (see below).

The Public Deposit Protection Commission of the State of Washington (PDPC) covers all deposits not insured by the Federal Depositary Insurance Corporation (FDIC). The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution collateral pool that insures public deposits. In such a pool, a group of financial institutions holding public funds pledge collateral to a common pool. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, and by monitoring the financial condition of all public depositories and optimizing collateralization requirements.

The City of Yakima had the following cash on hand and deposit balances on December 31, 2015:

Banks and savings and loan institutions	\$ 11,212,979
Cash with fiscal agent	237,816
Petty cash and other imprest funds	14,677
Local Government Investment Pool (LGIP)	<u>8,376,102</u>
Total	<u>\$ 19,841,574</u>

**Custodial Credit Risk: Deposits** – The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, the City’s deposits with banks and savings and loan associations may not be recovered. Because of the PDPC, the City’s deposits are not subject to this risk.

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (SEC). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk.

**Foreign Currency Risk: Deposits** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City of Yakima does not participate in making deposits or investments that are exposed to this type of risk.

### Investments

Cash and investments are managed under the guidance of the City’s Investment Policy (Resolution R2011-134). The policy is based on the Model Investment Policy prepared by the Association of Public Treasurers of the United States and Canada and applies to all financial assets of the City of Yakima (excluding the Firemen’s Relief and Pension Fund).

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

### INVESTMENT PORTFOLIO

	Carrying Value	Fair Value	Weighted Average Maturity to Expected Call (Days)	Weighted Average Maturity Expected (Days)	Rating
Federal agency securities	\$44,593,037	\$44,411,926	712	784	n/a
Local government agency securities	2,355,383	2,360,545	241	241	A1, A
Certificates of deposit - PDPC	<u>272,379</u>	<u>272,379</u>	1,320	1,320	n/a
Total portfolio	<u>\$47,220,799</u>	<u>\$47,044,850</u>			

### Carrying Value

Investments are reported at Net Book Value on the Financial Statements.

Investments are held until maturity unless called by the issuer prior to the maturity date. Premiums or Discounts realized at purchase are amortized over the life of the investment such that Net Book Value is equal to the amount realized at maturity.

Fair value is a volatile number that reflects the market price on a given date. Swings in fair value create arbitrary gains and losses which are never realized due to the City’s policy of holding investments until maturity.

### Interest Rate Risk

In accordance with its adopted investment policy, the City manages its exposure to declines in fair value due to rising interest rates by limiting the weighted average maturity of its cash and security portfolio as a whole. Additionally, the City does not use derivatives, pass through obligations or other extremely interest rate sensitive instruments in its portfolio. Weighted average maturity on callable securities is calculated using both the expected call date and the final maturity date.

### Credit Risk

State law, under RCW sections 35.39 and 39.59, limits investments that a Washington class 1 City may hold to: (1) Direct and Indirect obligations of the US Government, (2) high quality Municipal Bonds of Washington State or Cities and Towns within the State, (3) high quality General Obligation bonds of another State or City, by Washington Administrative Code permission, not in the RCW's, (4) Bankers Acceptances and high quality Commercial Paper as long as they hold one of the 2 highest Credit ratings issued by at least two nationally recognized rating agencies, and the (4) State Treasurer's LGIP. The LGIP is a 2a7 like pool, and investments in the pool are reported at the share price of 100% of dollars invested. The City's own adopted Investment Policy adheres to the RCW's and also allows for investment in high quality Commercial Paper, Bankers Acceptances and the LGIP.

#### **Custodial Credit Risk**

The City's investment Policy does not include Repurchase, Reverse – Repurchase agreements or securities lending as allowable investment activity; therefore no custodial credit risk exists. All investments are held in the City's name by a third party custodian through a Trust Agreement, with the exception of the LGIP and LID Notes.

#### **PROPERTY TAXES**

The County Treasurer acts as an agent to collect property taxes levied within the county for all taxing authorities. Collections are distributed after the end of each month, on the tenth day of the following 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 is established for next year's levy at 100% of market value.
October 31	Second installment is due.

During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections in the hands of the County Treasurer at December 31st. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectable.

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general government services, less a maximum levy of \$.50/\$1,000 for the Library District, beginning in 2007. This amount may be reduced for either of the following reasons:

- The Washington State Constitution limits total regular property tax levies to one-percent of assessed valuation or \$10 per \$1,000 of value. If the tax levies of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
- Washington State law, RCW 84.55.010, limits the total dollar amount of regular property taxes that may be levied annually to 101% of the highest levy in the three previous years (excluding new construction, annexations and state assessed property).

Special levies approved by the voters are not subject to the above limitations.

For 2015, the City's regular tax levy was \$3.1239 per \$1,000 on a total assessed valuation of \$5.7 billion, for a total regular levy of \$17,676,090. Included in the City's regular levy is an authorization to levy for the Firemen's Relief and Pension Fund. This levy is subject to the same limitations as the levy for general government services. The Firemen's Relief and Pension portion of the regular tax levy for 2015 was \$.2090 per \$1,000, or \$1,182,452.

#### **RECEIVABLES**

Receivables as of year-end for the City's individual major funds, nonmajor, internal service and agency funds in the aggregate are included in the statements.

Accounts receivable balances of the Enterprise funds are reported net of allowances for uncollectible accounts. Historically, write-offs in the utility funds have been about 1% of billed charges. Estimated uncollectible balances are as follows:

#### ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS RECEIVABLE – ENTERPRISE FUNDS

Refuse	\$ 111,764
Wastewater	566,868
Water	496,153
Irrigation	89,254
Stormwater	68,878
Total	<u>\$ 1,332,916</u>

#### INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

##### Interfund Receivables and Payables

Under the City's Interfund Loan program established in Chapter 3.123 of the City of Yakima Municipal code, loans between funds are authorized in order to fund short term working capital requirements of funds that may be in a negative cash position. Generally, such needs are due to timing differences between a fund's regular receipts of revenue and ordinary operating expenditures or expenses. Such loans that extend beyond one calendar quarter are subject to interest at published rates.

Interfund balances are eliminated on the government-wide financial statement. Interfund balances were as follows at year end:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Stormwater Capital	Refuse	\$ 170,000
Law & Justice Capital	Public Safety Communications	125,000
		<u>\$ 295,000</u>

##### Interfund Transfers

Interfund transfers represent subsidies and contributions provided to other funds with no corresponding debt or promise to repay. General Fund transfers are primarily used to: 1) allocate the portion of utility taxes that are designated to support Parks and Recreation and Law and Justice Capital programs; and 2) support the Public Safety dispatch operation with a portion of the telephone tax. Other transfers generally represent debt service and capital project funding.

The Equipment Rental Fund operates as an Internal Service Fund to support City motorized vehicle operations and as such "owns" most City vehicles other than Police or Fire vehicles. The fund administers a Vehicle Replacement program whereby participating funds make periodic deposits to the Vehicle Replacement Reserve for future purchases. These deposits are treated as transfers from the participating fund to Equipment Rental's Reserve. The Equipment Rental Fund also operates a maintenance and repair shop to service City vehicles (excluding Fire vehicles which are maintained by the Fire Department and Police vehicles which are serviced by an external vendor). By definition an Internal Service fund should not build an excessive fund balance. Their services should be rendered at approximate cost. Over the past several years the Equipment Rental fund had slowly begun to build an excessive fund balance. The amount is not considered material to the City's financial statements, but a "refund" was made in the form of transfers back to participating funds of the excess balance generated by the shop activities. This "refund" transfer can be seen in the chart that follows. The refund totaled \$242,168 and was distributed to the funds based on relative charges paid over prior periods.

The following chart depicts interfund transfer activity during 2015:



## INTERFUND TRANSFERS

Transfer out	Transfer In							
	General Fund	Other Gen Gov't	Transit	Waste-water	Water	Irrig	Other Enterprise	Internal Service
General Fund	\$ -	\$ 4,750,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,396
Other Gen Gov't	-	3,815,745	-	-	-	-	-	487,569
Wastewater	-	111,340	-	-	-	-	-	198,481
Water	-	26,892	-	32,687	-	-	-	143,400
Irrigation	-	-	-	-	-	-	-	30,000
Other Enterprise	-	260,000	-	-	-	-	-	630,000
Internal Service	4,009	65,318	74,676	10,825	9,103	1,811	47,957	28,469
Total	<u>\$ 4,009</u>	<u>\$ 9,029,520</u>	<u>\$ 74,676</u>	<u>\$ 43,512</u>	<u>\$ 9,103</u>	<u>\$ 1,811</u>	<u>\$ 47,957</u>	<u>\$ 1,529,315</u>
								<u>\$ 10,739,903</u>

## CAPITAL ASSETS

### CAPITAL ASSET ACTIVITY

	Balance 01/01/15	Additions	Adjustments	Deletions	Balance 12/31/15
Governmental activities					
Capital assets - not being depreciated					
Land	\$ 15,650,502	\$ 1,815,875	\$ -	\$ -	\$ 17,466,377
Construction in progress	4,059,223	6,108,939	(1,206,980)	(41)	8,961,140
Total capital assets not being depreciated	<u>19,709,724</u>	<u>7,924,814</u>	<u>(1,206,980)</u>	<u>(41)</u>	<u>26,427,517</u>
Capital assets being depreciated					
Buildings	57,476,622	54,701	-	-	57,531,324
Other improvements	15,871,052	1,355,853	272,507	-	17,499,412
Machinery, equipment and vehicles	20,758,801	2,730,702	(27,680)	(898,773)	22,563,051
Infrastructure	288,156,039	227,070	934,473	-	289,317,582
Total capital assets being depreciated	<u>382,262,514</u>	<u>4,368,327</u>	<u>1,179,300</u>	<u>(898,773)</u>	<u>386,911,369</u>
Less accumulated depreciation					
Buildings	(22,509,699)	(1,339,172)	-	-	(23,848,871)
Other improvements	(8,673,501)	(859,493)	-	-	(9,532,994)
Machinery, equipment and vehicles	(11,993,899)	(2,137,076)	7,474	786,738	(13,336,763)
Infrastructure	(167,981,095)	(8,037,732)	-	-	(176,018,827)
Total accumulated depreciation	<u>(211,158,194)</u>	<u>(12,373,473)</u>	<u>7,474</u>	<u>786,738</u>	<u>(222,737,455)</u>
Total capital assets being depreciated - net	<u>171,104,320</u>	<u>(8,005,146)</u>	<u>1,186,774</u>	<u>(112,035)</u>	<u>164,173,914</u>
Governmental activities capital assets - net	<u>190,814,045</u>	<u>(80,332)</u>	<u>(20,206)</u>	<u>(112,076)</u>	<u>190,601,431</u>
Internal service funds - governmental activities					
Capital Assets - not being depreciated					
Construction in progress	785	-	-	-	785
Capital assets being depreciated					
Buildings	37,397	-	-	-	37,397
Other improvements	619,816	12,190	-	-	632,006
Machinery, equipment and vehicles	22,735,674	1,734,998	27,680	(648,993)	23,849,359
Total capital assets being depreciated	<u>23,392,887</u>	<u>1,747,188</u>	<u>27,680</u>	<u>(648,993)</u>	<u>24,518,761</u>



Less accumulated depreciation					
Buildings	(29,244)	-	-	-	(29,244)
Other improvements	(84,941)	-	-	-	(84,941)
Machinery, equipment and vehicles	(14,036,838)	(1,276,711)	(7,474)	534,778	(14,786,245)
Total accumulated depreciation	(14,151,023)	(1,276,711)	(7,474)	534,778	(14,900,430)
Total capital assets being depreciated - net	9,241,864	470,477	20,206	(114,215)	9,618,331
Internal service - gov't act cap assets - net	<u>\$ 200,056,694</u>	<u>\$ 390,145</u>	<u>\$ 0</u>	<u>\$ (226,291)</u>	<u>\$ 200,220,548</u>
Business-type activities					
Capital assets - not being depreciated					
Land	\$ 5,582,170	\$ 66,235	\$ -	\$ -	\$ 5,648,405
Construction in progress	17,462,492	1,085,607	(4,420,779)	(20)	14,127,300
Total capital assets not being depreciated	<u>23,044,662</u>	<u>1,151,842</u>	<u>(4,420,779)</u>	<u>(20)</u>	<u>19,775,705</u>
Capital assets being depreciated					
Buildings	88,362,671	-	-	-	88,362,671
Other improvements	162,459,307	703,905	4,420,779	-	167,583,991
Machinery, equipment and vehicles	36,262,323	672,559	-	(213,020)	36,721,862
Intangibles	2,190,139	-	-	-	2,190,139
Total capital assets - depreciated	289,274,440	1,376,464	4,420,779	(213,020)	294,858,663
Less accumulated depreciation					
Buildings	(56,893,849)	(1,793,103)	-	-	(58,686,952)
Other improvements	(64,756,407)	(4,159,207)	-	-	(68,915,614)
Machinery, equipment and vehicles	(18,339,053)	(2,000,892)	-	210,305	(20,129,640)
Intangibles	(910,567)	(94,471)	-	-	(1,005,038)
Total accumulated depreciation	(140,899,876)	(8,047,673)	-	210,305	(148,737,244)
Total capital assets being depreciated - net	148,374,564	(6,671,209)	4,420,779	(2,715)	146,121,419
Total capital assets - business activities	<u>\$171,419,226</u>	<u>\$ (5,519,367)</u>	<u>\$ (0)</u>	<u>\$ (2,735)</u>	<u>\$165,897,124</u>

**NOTE** - The adjustment column represents construction works in progress that were completed and either classified into the appropriate capital asset category, or expensed. Assets transferred between fund categories are also included as an adjustment. Depreciation expense was charged to functions/programs as follows:

#### DEPRECIATION EXPENSE

Function/Program	Amount
General government	\$ 265,659
Public safety	2,117,614
Utilities	104,939
Transportation	7,810,213
Economic environment	586,920
Culture & recreation	1,488,128
Capital Assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,276,711
Total depreciation - governmental activities	<u>\$13,650,184</u>

<b>Function/Program</b>	<b>Amount</b>
Transit	\$ 1,022,128
Wastewater	4,249,590
Water	1,496,554
Irrigation	373,231
Stormwater	61,111
Airport	845,058
Total depreciation - business-type activities	<u>\$ 8,047,673</u>

## COMMITMENTS

### Construction Commitments

The City had active construction projects as of December 31, 2015. Projects include improvements to the Wastewater collection system, design of the next phase of irrigation system improvements, and improvements to the water distribution system. Street projects include a West Valley Middle School vicinity safety improvement project and a traffic signal at Tieton and 64<sup>th</sup>. It also includes the construction of a roundabout to access the former Boise Cascade Mill site and Phase 1 design work for the revitalization of North 1<sup>st</sup> Street. The Airport projects are construction of the Terminal Apron and the Alpha Taxiway. Design work is in process for a new Yakima Central Plaza to be located downtown.

### CURRENT CONSTRUCTION COMMITMENTS

<b>Project</b>	<b>Contract Amount</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Streets - construction	\$ 8,382,122	\$ 5,343,270	\$ 3,038,852
Parks - Central Plaza	1,110,031	400,676	709,355
Airport	906,543	582,440	324,103
Wastewater mains	751,724	23,637	728,087
Stormwater system improvements	654,908	158,376	496,532
Water	409,489	62,164	347,325
Irrigation - system design and rebuild	147,000	41,113	105,887
Total	<u>\$ 12,361,817</u>	<u>\$ 6,611,676</u>	<u>\$ 5,750,141</u>

Street construction is being financed by gas tax and federal, state or local grants. Water improvements are funded by State Public Works Trust fund loans, grants and water utility revenues/capital reserves. Wastewater improvements are being financed by State Public Works Trust Fund and Revolving Fund loans and wastewater utility revenues/capital reserves. Irrigation improvements are funded by irrigation capital rates/reserves. The Airport projects are paid for with FAA Grants and matching Passenger Facility Charges. The design work on the downtown Central Plaza is being funded by Real Estate Excise Tax 2 and a local grant.

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### NOTE 5 – PENSION PLANS

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

Pension liabilities	\$ 23,495,738
Pension assets	10,869,953
Deferred outflows of resources	4,123,621
Deferred inflows of resources	6,396,335
Pension expense/expenditures	1,735,809

## STATE SPONSORED PENSION PLANS

Substantially all Yakima 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](http://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

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

### Contributions

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

#### PERS Plan 1

Actual Contribution Rates	Employer	Employee
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The City of Yakima's actual contributions to the plan were \$55,543 for the year ended December 31, 2015. The state also allocates a component from PERS Plan 2/3 and PSERS 2 of \$1,207,694 to address Plans 1 unfunded actuarial accrued liability (UAAL). This allocation comes from the city contributions to those plans.

### **PERS Plan 2/3**

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

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

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

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

### ***Contributions***

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

#### **PERS Plan 2/3**

<u>Actual Contribution Rates</u>	<u>Employer 2/3</u>	<u>Employee 2*</u>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3	-	Varies

The City of Yakima's actual contributions to the plan were \$2,687,453 for the year ended December 31, 2015 of which \$1,176,494 was the component to the PERS Plan 1 UAAL allocated by the state. This leaves \$1,510,959 contributed to the PERS Plan 2/3.

## **PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 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. PSERS Plan 2 members are vested after completing five years of eligible service.

### ***Contributions***

The PSERS Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

## PSERS Plan 2

<u>Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The City of Yakima's actual contributions to the plan were \$77,307 for the year ended December 31, 2015 of which \$31,200 was the component to the PERS Plan 1 UAAL allocated by the state. This leaves \$46,107 contributed to the PERS Plan 2.

### **LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF)**

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

#### **LEOFF Plan 1**

This plan 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 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

#### **LEOFF Plan 2**

This plan provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

#### **Contributions**

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

## LEOFF Plan 2

<u>Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City of Yakima's actual contributions to the plan were \$1,120,514 for the year ended December 31, 2015.

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

### ACTUARIAL ASSUMPTIONS

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

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

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

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

### Discount Rate

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



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

### Long-Term Expected Rate of Return

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

### Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% LT Exp 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 Net Pension Liability

The table below presents the City of Yakima's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the 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 (6.5%)	Current	1% Increase (8.5%)
		Discount Rate (7.5%)	
PERS 1	\$15,752,462	\$12,938,339	\$10,518,452
PERS 2/3	30,739,007	10,512,470	(4,974,231)
PSERS 2	341,397	44,929	(165,962)
LEOFF 1	(2,071,109)	(3,237,356)	(4,231,365)
LEOFF 2	7,643,551	(7,632,597)	(19,128,478)



## 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)

At June 30, 2015, the City of Yakima reported a total pension liability of \$12,625,785 for its proportionate share of the net pension liabilities as follows:

	<b>Liability (Asset)</b>
PERS 1	\$12,938,339
PERS 2/3	10,512,470
PSERS 2	44,929
LEOFF 1	(3,237,356)
LEOFF 2	(7,632,597)

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

<b>Risk</b>	<b>Liability (Asset)</b>
LEOFF 2 – employer's proportionate share	\$ (7,632,597)
LEOFF 2 – State's proportionate share of the net pension	(12,679,270)
Liability/(asset) associated with the employer	
Total	\$ (20,311,867)

At June 30, the City of Yakima's proportionate share of the collective net pension liabilities was as follows (only report applicable plans):

	<b>Prop Share 6/30/14</b>	<b>Prop Share 6/30/15</b>	<b>Change</b>
PERS 1	0.2512%	0.2473%	-0.0038%
PERS 2/3	0.2912%	0.2942%	0.0030%
PSERS 2	0.2574%	0.2462%	-0.0112%
LEOFF 1	0.2746%	0.2686%	-0.0059%
LEOFF 2	0.7483%	0.7426%	-0.0057%

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

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

new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

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

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

#### Pension Expense

For the year ended December 31, 2015, the City of Yakima's recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 552,313
PERS 2/3	1,278,991
PSERS 2	52,906
LEOFF 1	(594,837)
LEOFF 2	<u>446,436</u>
Total	\$ 1,735,809

#### Deferred Outflows of Resources and Deferred Inflows of Resources

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

#### DEFERRED OUTFLOWS/INFLOWS

<b>Plan</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
PERS Plan 1		
Differences between expected and actual experience	\$ -	\$ 707,868
Contributions subsequent to the measurement date	<u>696,653</u>	<u>-</u>
Total PERS Plan 1	<u>\$ 696,653</u>	<u>\$ 707,868</u>
PERS Plan 2/3		
Differences between expected and actual experience	\$ 1,117,479	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	2,806,332
Changes of assumptions	16,938	-
Changes in proportion and differences between contributions and proportionate share of contributions	95,693	-
Contributions subsequent to the measurement date	<u>847,662</u>	<u>-</u>
Total PERS Plan 2/3	<u>\$ 2,077,772</u>	<u>\$ 2,806,332</u>

<b>Plan</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>PSERS Plan 2</b>		
Differences between expected and actual experience	\$ 42,093	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	22,285
Changes of assumptions	278	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	684
Contributions subsequent to the measurement date	23,209	-
<b>Total PSERS Plan 2</b>	<b>\$ 65,580</b>	<b>\$ 22,969</b>
<b>LEOFF 1</b>		
Net difference between projected and actual investment earnings on pension plan investments	-	546,529
<b>Total LEOFF 1</b>	<b>\$ -</b>	<b>\$ 546,529</b>
<b>LEOFF 2</b>		
Differences between expected and actual experience	\$ 668,361	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	2,312,637
Changes of assumptions	20,132	-
Changes in proportion and differences between contributions and proportionate share of contributions	29,696	-
Contributions subsequent to the measurement date	565,427	-
<b>Total LEOFF 2</b>	<b>\$ 1,283,616</b>	<b>\$ 2,312,637</b>

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

<b>Year ended</b>						
<b>December 31</b>	<b>PERS 1</b>	<b>PERS 2/3</b>	<b>PSERS</b>	<b>LEOFF 1</b>	<b>LEOFF 2</b>	
2016	\$ (274,345)	\$ (733,787)	\$ (1,945)	\$ (212,074)	\$ (765,933)	
2017	(274,345)	(733,787)	(1,945)	(212,074)	(765,933)	
2018	(274,345)	(733,789)	(1,948)	(212,074)	(765,940)	
2019	115,168	625,141	11,347	89,692	537,616	
2020	-	-	6,948	-	138,119	
Thereafter	-	-	6,946	-	27,624	

## OTHER RETIREMENT SYSTEMS

### **Volunteer Firefighters' Relief and Pension Fund**

VFFRPF is a cost-sharing, multiple-employer defined benefit plan administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The Board is appointed by the Governor and is comprised of five members of fire departments covered by Chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation. Approximately 500 local governments, consisting of fire departments, emergency medical service districts and law enforcement agencies, contribute to the plan. In addition, the state contributes 40 percent of the fire insurance premium tax. Retirement benefits are established in Chapter 41.24 RCW and may be amended only the Legislature.

The VFFRPF plan does not issue a stand-alone financial report, but is included in the comprehensive annual financial report (CAFR) of the State of Washington. The State CAFR may be downloaded from the Office of Financial Management (OFM) website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

Membership in the VFFRPF includes volunteer firefighters, emergency medical technicians, and commissioned reserve law enforcement officers of participating employers. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$50 plus \$10 per year of service, for a maximum monthly benefit of \$300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. The VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$214,000 and funeral and burial expenses of \$2,000. Members receiving disability benefits at the time of death shall be paid \$500.

### **Contributions**

Contribution rates for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the Board based on the actual cost of participation as determined by the Office of the State Actuary. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates for 2015 were:

<u>Actual Contribution Rates</u>	<u>Volunteers</u>	<u>Employer</u>
Member Fee	\$ 30	\$ 30

The City of Yakima's actual contributions to the plan were \$270 for the year ended December 31, 2015.

In accordance with Chapter 41.24 RCW, the state contributes 40 percent of the fire insurance premium tax to the plan. For fiscal year 2015, the fire insurance premium tax contribution was \$5.9 million.

### **Actuarial Assumptions**

The total pension liability for the VFFRPF was determined by an actuarial valuation by the Office of the State Actuary (OSA) as of June 30, 2014, and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- Inflation: 3%
- Salary increases: N/A
- Investment rate of return: 7.0%

The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 *Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2014 valuation report.

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

#### ***Discount Rate***

The discount rate used to measure the total VFFRPF pension liability was 7 percent. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included as assumed 7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

#### ***Long-Term Expected Rate of Return***

The long-term expected rate of return on the VFFRPF pension plan investments of 7 percent was determined using a building-block-method. As the plan has assets managed by both the Washington State Investment Board (WSIB) and the Office of the State Treasurer (OST), the long-term expected rate of return of 7 percent represents an approximate weighted-average of the assets managed by WSIB (7.5% expected return) and OST (4 percent expected return). 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 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

#### ***Estimated Rates of Return by Asset Class***

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% LT Expected Real Rate of Return</b>
		<b>Arithmetic</b>
Fixed income	20%	1.70%
Tangible assetss	5%	4.40%
Real estate	15%	5.80%
Global equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

### ***Sensitivity of NPL***

The following presents the City of Yakima's proportionate share of the VFFRPF net pension liability calculated using the discount rate of 7 percent, as well as what the City of Yakima'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 percent) or 1-percentage point higher (8 percent) than the current rate.

	<b>Current Discount</b>		
	<b>1% Increase (6.0%)</b>	<b>Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
VFFRPF	\$ 3,946	\$ (10,787)	\$ (24,082)

### ***Pension Plan Fiduciary Net Position***

Detailed information about the VFFRPF plan's fiduciary net position is available in the separately issued State of Washington CAFR.

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

At June 30, 2015, the City of Yakima reported an asset of (\$10,787.26) for its proportionate share of the VFFRPF plan's net pension asset. The City of Yakima's proportion of the net pension asset was based on actual contributions to the plan relative to total contributions of all participating municipalities. At June 30, 2015, the City of Yakima's proportion was .06%.

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

For the year ended December 31, 2015, the City of Yakima recognized pension expense of \$270. Deferred outflows of resources and deferred inflows of resources are not material to the VFFRPF plan.

### **FIREMEN'S PENSION**

The City has a single employer, defined benefit pension plan for Firefighters employed prior to March 1, 1970, and governed by Washington State Law RCW 41.26. Under the terms of the governing law, the pension member is entitled to payment from the City's pension plan for those benefits in excess of those calculated under the LEOFF plan.

The City's Firemen's Pension Fund is a closed group. No new members are permitted. Employees attaining the age of fifty who have completed 25 or more years of service are entitled to annual benefits of fifty-percent of their salary plus an additional two-percent for each year of service in excess of 25 years, up to a maximum of sixty-percent of salary. The pension plan also provides death and disability pension benefits plus sick benefits for eligible active and retired employees.

If the employee terminates his employment with the Fire Department and is not eligible for any other benefit under the Firemen's Pension, the employee is entitled to the following:

- Return of accumulated contributions less any benefits paid.
- When a Firefighter would have had 25 years of service, 2% of salary for each year of service.

During the year ended December 31, 2015, there were no plan amendments.

### **Contributions**

Firefighters are no longer required to contribute to the Firemen's Pension. The City is required to contribute the amount necessary to fund the Firemen's Pension, using the aggregate projected benefit method. Under state law, partial funding of the Firemen's Pension Fund is provided by:

- An annual tax levy of up to \$.45 per \$1,000 of assessed valuation of all taxable property of the City in the amount of \$1,182,452 for fiscal year 2015.
- The Firemen's Pension Fund also receives a proportionate share of the 25 percent of the tax on fire insurance premiums set aside by the state for all paid firemen in the state which totaled \$82,768 for fiscal year 2015.
- Additional funding is provided by investment interest earnings, which in fiscal 2015 totaled \$500.

### **Actuarial Assumptions**

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Under this method, the normal cost is a portion of the actuarial present value of benefits allocated to a valuation year. The actuarial accrued liability is equal to the actuarial value of assets. (Thus, there is no unfunded actuarial accrued liability under this method.)

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

	Fire		
	2013	2014	2015
Amortization of UAAL	\$ 505,289	\$ 442,369	\$ 442,369
Interest to EOY	20,212	16,589	16,589
ARC at EOY	525,501	458,958	458,958
Interest on NPO	(55,170)	(55,657)	(61,197)
Adjustment to ARC	(97,585)	(106,619)	(121,739)
Annual pension cost	567,916	509,920	519,500
Employer contributions	672,849	657,636	664,756
Change in net pension obligation	(104,933)	(147,716)	(145,256)
Net pension obligation (BOY)	(1,379,259)	(1,484,192)	(1,631,908)
Net pension obligation (EOY)	<u>\$(1,484,192)</u>	<u>\$(1,631,908)</u>	<u>\$(1,777,164)</u>

### **POLICE PENSION**

The City has a single employer, defined benefit pension plan for Police Officers employed prior to March 1, 1970, and governed by Washington State Law RCW 41.20 and 41.26. Under the governing law, the pension member is entitled to payment from the City's pension plan for those benefits in excess of those calculated under the LEOFF plan. The City also covers four members who were ineligible under the State Law Enforcement Officers and Firefighters (LEOFF) Program.

The City's Police Pension Fund is a closed group. No new members are permitted. Employees who have completed 25 years or more of service are entitled to annual benefits of 50% of their salary plus an additional 2% for each year of service in excess of 25 years – up to a maximum of 60% of salary. The plan provides death and disability pension benefits plus sick benefits for eligible active and retired employees.

There are no longer any active employees who are eligible for this benefit.

During the year ended December 31, 2015, there were no plan amendments.

#### ***Contributions***

The Police Pension is a department within the General Fund. The City engaged Milliman U.S.A., Consultant & Actuaries, to perform the pension's actuarial study. They issued a valuation dated January 1, 2015. The valuation provided actuarially determined rates to accumulate sufficient assets to pay benefits when due rather than the current pay as you go basis.

#### ***Actuarial Assumptions***

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Under this method, the normal cost is a portion of the actuarial present value of benefits allocated to a valuation year. The actuarial accrued liability is equal to the actuarial value of assets. (Thus, there is no unfunded actuarial accrued liability under this method.)

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

	<b>Police</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Annual required contribution (ARC)			
Amortization of UAAL	\$ 529,561	\$ 460,717	\$ 460,717
Interest to EOY	<u>21,182</u>	<u>17,277</u>	<u>17,277</u>
ARC at EOY	550,743	477,994	477,994
Interest on NPO	21,583	17,419	15,550
Adjustment to ARC	<u>38,176</u>	<u>33,369</u>	<u>30,934</u>
Annual pension cost	534,150	462,044	462,610
Employer contributions	<u>609,223</u>	<u>511,883</u>	<u>441,551</u>
Change in net pension obligation	(75,073)	(49,839)	21,059
Net pension obligation (BOY)	<u>539,579</u>	<u>464,506</u>	<u>414,667</u>
Net pension obligation (EOY)	<u>\$ 464,506</u>	<u>\$ 414,667</u>	<u>\$ 435,726</u>

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#### ***NOTE 6 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS***

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In addition to providing pension benefits, the City provides certain health care (100% of medically necessary costs) and life insurance benefits for retired employees under the City's Firemen's and Police Pensions as prescribed by state statutes. Current employees under these two pensions become eligible for those benefits if they reach normal retirement age while working for the City. The cost of retiree health care insurance and life insurance benefits is recognized as an expenditure as claims are paid. Both plans are being funded 100% by the City on a pay as you go basis. For 2015, the costs totaled \$545,944 for the Firemen's Pension which has a total of 65 participants currently eligible to receive benefits and \$593,717 for the Police Pension which has a total of 60 participants currently eligible to receive benefits.



## LEOFF I

Under RCW law, retiree medical, hospital, and nursing care, as long as a disability exists, are covered for any active firefighter hired prior to March 1, 1970. For any retired officer hired prior to March 1, 1970, retiree medical, hospital, and nursing care are covered at the discretion of the Retirement Board. Members retired prior to 1961 for reasons other than duty disability are not eligible for retiree medical benefits during retirement. Under LEOFF Law, the necessary hospital, retiree medical, and nursing care expenses not payable by Workers' Compensation, Social Security, etc. are covered for any active or retired LEOFF 1 member.

Employees are eligible to receive lifetime retiree medical benefits upon service retirement after age 50 with at least five years of service. If they are not eligible to retire when leaving LEOFF, but have 20 years of service credit, they are eligible for retiree medical benefits when pension benefits commence. Employees also receive lifetime benefits upon disability.

Effective January 1, 2007, the City began reimbursing dental costs up to an annual maximum of \$500 for LEOFF I Fire/Police employees.

### Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay as you go financing requirements.

### OPEB Costs, Contributions, and Net Obligations

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2012. The following table 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 net OPEB. The net Fire and Police OPEB obligation of \$12,419,050 is included as a noncurrent liability on the Statement of Net Position.

#### ANNUAL OPEB COST AND NET OPEB OBLIGATION – LEOFF

	Fire		
	2013	2014	2015
Annual required contribution (ARC)			
Annual normal cost	\$ 45,837	\$ 45,837	\$ -
Amortization of UAAL	1,584,900	1,584,900	1,775,393
Interest	65,229	65,229	62,139
ARC at EOY	1,695,966	1,695,966	1,837,532
Interest on net OPEB obligation	139,481	182,227	195,718
Adjustment to ARC	214,626	287,300	345,884
Annual OPEB cost	1,620,821	1,590,893	1,687,366
Employer contributions	552,171	554,617	545,944
Change in net OPEB obligation	1,068,650	1,036,276	1,141,422
Net beginning OPEB obligation	3,487,018	4,555,668	5,591,944
Net OPEB obligation	<u>\$4,555,668</u>	<u>\$5,591,944</u>	<u>\$6,733,366</u>

	Police		
	2013	2014	2015
Annual required contribution (ARC)			
Annual normal cost	\$ 19,732	\$ 19,732	\$ -
Amortization of UAAL	1,541,006	1,541,006	1,628,448
Interest	62,430	62,430	56,996
ARC at EOY	1,623,168	1,623,168	1,685,444
Interest on net OPEB obligation	121,238	154,244	165,225
Adjustment to ARC	186,554	243,182	291,995
Annual OPEB cost	1,557,852	1,534,230	1,558,674
Employer contributions	732,690	669,604	593,717
Change in net OPEB obligation	825,162	864,626	964,957
Net beginning OPEB obligation	3,030,939	3,856,101	4,720,727
Net OPEB obligation	<u>\$3,856,101</u>	<u>\$4,720,727</u>	<u>\$5,685,684</u>

### Funded Status

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$55,030,000 and the actuarial value of the assets was \$0, resulting in a UAAL of \$55,030,000. A schedule of funding progress is provided as required supplementary information. This schedule provides information on the trend of funding ratio for the three most recent actuarial studies.

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation is shown in the following chart.

### OPEB CONTRIBUTIONS – LEOFF

	Valuation	Annual	Percent	Net
	Date	OPEB Cost	of OPEB Contributed	OPEB Obligation
Fire	12/31/13	\$1,620,821	34.0%	\$4,555,668
	12/31/14	1,590,893	35.0%	5,591,944
	12/31/15	1,687,366	32.0%	6,733,366
Police	12/31/13	\$ 1,557,852	47.0%	\$ 3,856,101
	12/31/14	1,534,230	44.0%	4,720,727
	12/31/15	1,558,674	38.0%	5,685,684

### Actuarial Assumptions

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

In the January 1, 2015 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions used included a 3.5% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Medical trend assumptions range from 7.1% for 2015 dropping gradually to 5.0% in 2024 and beyond.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2008 was 30 years.

#### **NON-LEOFF I EMPLOYEES**

The City of Yakima provides to its retirees employer-provided subsidies associated with postemployment medical benefits. Retirees eligible to receive pension benefit payments along with their qualifying dependents are eligible to remain on the medical insurance plan up to Medicare eligible age 65, by self-paying the entire composite premium rates which blend both active and inactive (i.e. retired) member claims history.

City members under the age of 65 are eligible for retiree medical benefits after becoming eligible for retirement pension benefits (either reduced or full pension benefits). Spouses of retired members of Plan 1 of LEOFF under the age of 65 are also eligible for benefits. Also, dependent children of retirees under the age of 25 are eligible for benefits.

Former members who are entitled to a deferred vested pension benefit are eligible to receive medical benefits after pension benefit commencement. Spouses under age 65 of covered members are eligible for medical benefits after the members' benefits terminate due to death or obtaining age 65.

Upon retirement, members are permitted to receive medical benefits. Retirees paid \$694.57 per month for pre-65 Medical coverage for 2015. If a retiree chooses to cover his spouse and/or eligible family an amount of \$677.32 per month for pre-65 Medical coverage was paid in 2015.

#### **Funding Policy**

The funding policy is based upon the pay as you go financing requirements.

#### **OPEB Costs, Contributions, and Net Obligations**

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2012. The following table 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 net OPEB.

#### **ANNUAL OPEB COST AND NET OPEB OBLIGATION – NON-LEOFF**

	Non-LEOFF		
	2013	2014	2015
Annual required contribution (ARC)			
Annual normal cost	\$ 469,157	\$ 469,157	\$ 436,955
Amortization of UAAL	471,818	471,818	451,435
Interest	37,639	37,639	31,094
ARC at EOY	978,614	978,614	919,484
Interest on net OPEB obligation	99,355	121,126	123,357
Adjustment to ARC	152,883	190,968	218,002
Annual OPEB cost	925,086	908,772	824,839
Employer contributions	380,818	412,448	212,830
Change in net OPEB obligation	544,268	496,324	612,009
Net beginning OPEB obligation	2,483,880	3,028,148	3,524,472
Net OPEB obligation	<u>\$3,028,148</u>	<u>\$3,524,472</u>	<u>\$4,136,481</u>

### Funded Status

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$7,298,000 and the actuarial value of the assets was \$0, resulting in a UAAL of \$7,298,000. A schedule of funding progress is provided as required supplementary information. This schedule provides information on the trend of funding ratio for the three most recent actuarial studies.

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is shown in the following chart.

#### OPEB CONTRIBUTIONS – NON-LEOFF

(Amount Expressed in Thousands)

	Valuation Date	Annual OPEB Cost	Percent of OPEB Contributed	Net OPEB Obligation
Non-LEOFF	12/31/13	\$ 925,086	41.0%	\$3,028,148
	12/31/14	908,772	45.0%	3,524,472
	12/31/15	824,839	26.0%	4,136,481

### Actuarial Assumptions

Actuarial valuations involve 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 trend. Amounts determined regarding the funded status of the plan and the 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.

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

In the January 1, 2015 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions used included a 3.5% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Medical trend assumptions range from 7.1% for 2015 dropping gradually to 5.0% in 2024 and beyond.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2008 was 30 years.

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### NOTE 7 – SELF-INSURANCE

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The City maintains Reserve Funds to provide for self-insurance coverage in the areas of Unemployment Compensation, Medical/Dental coverage, and Workers' Compensation. In addition, the City maintains a Risk Management Fund to provide for property, liability, and other coverage.

#### UNEMPLOYMENT COMPENSATION

In 1978, the City of Yakima established an Unemployment Compensation Reserve Fund to provide unemployment compensation coverage for its employees, and thereby elected to participate with the State of Washington in a cost reimbursement instead of monthly premium program. In doing so, the City retained its right to appeal awards and determinations made by the State Department of Employment Security. The City

has contracted with Equifax Workforce Solutions to represent the City in appeal hearings and to provide audits of state awards.

The State of Washington invoices the City on a quarterly basis for reimbursement of claims which represent payment of unemployment compensation and related administrative costs. Resources accrue to the Unemployment Compensation Reserve Fund through monthly charges made to each Operating Fund based on employee earnings. Normal accrual rates have been between .5 and .75 percent of gross payroll, while costs under the monthly premium program would have been approximately three-percent of payroll. The City has achieved considerable savings. Interfund premiums are based primarily upon the insured funds claims experience and are reported as quasi external interfund transactions - these totaled \$201,961 for 2015. The reserve balance at the end of 2015 was \$390,145. No incurred but not reported claims have been accrued as a liability.

#### **MEDICAL & DENTAL COVERAGE**

The City, in August, 1979, self-insured its medical and dental programs for all eligible employees (temporary employees and employees hired to work less than half time are not eligible to participate in the plan). The City's Human Resources Office administers the self-insured program and claims payments. The third party administrator is Employee Benefit Management Services, Inc. (EBMS).

Each Operating Fund is charged an accrual amount per covered employee which would otherwise have been paid to an insurance carrier. These amounts are determined by the City based upon recommendations made by Emspring, the contracted broker. Factors considered by the broker include the amount of claims paid the previous year, increases over prior years, claims administration costs, projected insurance industry inflation rates and the status of the Fund's Reserve. Interfund premiums for 2015 were \$8,339,322. The reserve balance at the end of 2015 was \$164,711, after considering incurred but not reported claims of \$1,326,830 that have been accrued as a liability.

In order to avoid catastrophic losses, the City reinsures the program by purchasing insurance known as "stop loss insurance." Two types of "stop loss" insurance are purchased: 1) individual stop loss; and, 2) aggregate stop loss, with both provided through Sun Life Financial. Under the individual stop loss insurance, the City pays the first \$250,000 of claims for an individual employee or dependent. Any charges accrued by an individual in excess of \$250,000 in a calendar year are thereafter reimbursed by Sun Life. The aggregate stop loss is designed to protect the City from multiple large claims which may not reach the individual stop loss attachment point (\$250,000). The aggregate stop loss attachment point is calculated by determining the projected amount of claims for the year and adding an additional 25% of that amount (125% of projected claims).

#### **WORKERS COMPENSATION**

The City self-insured its workers' compensation program for all employees except those covered by the LEOFF 1 Retirement System in July, 1984. This workers' compensation program provides coverage identical to the state administered workers' compensation program; however, the City pays only the direct injury related costs and certain administrative fees. The program is administered by the City's Human Resources Office with claims administration and safety services provided by Intermountain Claims, Inc.

Each operating fund is charged an appropriate accrual amount, per employee, based on rate requirements prescribed by the State of Washington. Each year the reserve fund balance is reviewed to determine a contribution rate which provides for an appropriate reserve. Interfund premiums to the fund were \$992,071. The reserve balance at the end of 2015 was \$178,732 after considering, based on the claims manager's estimate, the accrual for incurred but not reported claims of \$459,883 at December 31, 2015.

In order to avoid catastrophic losses, the City "reinsures" the program by purchasing insurance known as "stop loss" insurance. This insurance is provided through Wells Fargo Insurance Services under a policy purchased from Safety National Casualty Corporation. Under the individual stop loss coverage, the City pays the first \$650,000 of a claim and the insurance company pays the balance for an individual claim or the balance up to a maximum of \$25 million for multiple claims arising from a single incident.

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**NOTE 8 – RISK MANAGEMENT**

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Risk Management Fund was established in 1986 to account for its risk management program. Resources accrue to the fund through interfund premiums to operating funds for appropriate insurance coverage and the replenishment and building of reserves for potential liability claims. City interfund contributions to the Risk Management Reserve Fund were \$3,502,997. The fund provides for administration, legal services, and claims adjustment and for the purchase of property, general liability, and other insurance coverage.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that has been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider recent claim settlement trends, inflation, and other economic or social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims. Estimated recoveries, for example from subrogation, are another component of the claims liability estimate. Based on these factors, the claims manager's estimate of claims liability at December 31, 2015, is \$2,810,000.

Because of the higher liability, coupled with the pension obligations tied to City employees allocated to this function, the reserve balance at the end of 2015 was (\$2,592,466). The City increased the premium allocation by 10% in 2016, and will continue to address this liability.

**PROPERTY AND LIABILITY INSURANCE****Affiliated FM Insurance Company**

The City of Yakima purchases property insurance and boiler and machinery insurance from Affiliated FM Insurance Company covering loss or damage to City owned property from various perils including earthquake and flood.

**Coverage** – The policy is subject to a \$100,000,000 limit per occurrence and a \$100,000 per occurrence deductible.

**Cities Insurance Association of Washington**

Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the interlocal Cooperation Act. The Cities Insurance Association of Washington (CIAW) was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The City of Yakima became an associate member effective December 14, 2005, and became a member effective September 1, 2010. As of December 31, 2015, there are approximately 250 members in the program.

The City participates in the CIAW insurance pool administered by Canfield & Associates. The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts are included to fit members' various needs. The City purchases property and equipment breakdown coverage separate from the pool.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The interlocal Agreement is renewed automatically each



year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Copies of the CIAW pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

**Coverage** – The program acquires liability insurance through the Administrator, Canfield, and is subject to a per-occurrence self-insured retention of \$200,000 per occurrence. Members are responsible for individual deductibles, which vary by member. The City has a \$100,000 self-insured retention and the pool is responsible for claims between \$100,000 and \$200,000. Insurance covers insured losses over \$200,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$200,000 of the self-insured retention. The program also purchases a Stop Loss Policy to cap the total claims paid by the program in any one year.

#### **Washington State Transit Insurance Pool**

WSTIP is a 25-member self-insurance program with public transit members who provide transit services and is located in Olympia, Washington. WSTIP supplies Yakima Transit auto liability, general liability, and public officials' liability coverage.

The Washington State Transit Insurance Pool was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member Transit Systems programs of joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling and administrative services. Transit authorities joining the Pool must remain members for a minimum of 36 months; a member may withdraw from the Pool after that time by giving 12 months' notice. The Pool underwriting and rate setting policies have been established after consultation with actuaries. The Pool members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. WSTIP is regulated by the Washington State Risk Manager and audited yearly by the Washington State Auditor.

The City of Yakima Transit Division is insured for liability insurance through the Washington State Transit Insurance Pool (WSTIP), and has been a member since September 1, 2005.

**Coverage** – The City of Yakima Transit Division has liability coverage, which is not subject to a deductible amount, and public official liability coverage, subject to a deductible amount of \$5,000, with the Washington State Transit Insurance Pool ("WSTIP"), Olympia, Washington. The per occurrence and aggregate limits of liability of the liability coverage through WSTIP are \$20,000,000. Since joining WSTIP on September 1, 2005, the City of Yakima Transit Division has not presented any claims to WSTIP that exceeded its coverage limits through WSTIP.

#### **WSTIP LIABILITY COVERAGE**

<b>Risk</b>	<b>Coverage Period</b>	<b>Coverage</b>
Auto liability	1/1/15 - 12/31/15	\$20,000,000 per occurrence with a \$0 deductible
General liability	1/1/15 - 12/31/15	\$20,000,000 per occurrence with a \$0 deductible
Public officials	1/1/15 - 12/31/15	\$20,000,000 per claim / aggregate with a \$5,000 deductible

Coverage for public official liability is on a "claims made" basis. All other coverages are on an "occurrence" basis. Changes in the balance of claims liability during 2015 follows:

## UNPAID CLAIMS

	2015	2014	2013
Unpaid claims, January 1	\$ 2,310,000	\$ 1,521,000	\$ 1,219,000
Incurred claims (incl IBNR's)	2,962,818	3,387,901	1,482,650
Claim payments (incl direct legal costs)	<u>(2,462,818)</u>	<u>(2,598,901)</u>	<u>(1,180,650)</u>
Unpaid claims, December 31	<u>\$ 2,810,000</u>	<u>\$ 2,310,000</u>	<u>\$ 1,521,000</u>

## **NOTE 9 – LONG-TERM LIABILITIES, DEBT AND CAPITAL LEASES**

The State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the City.

### LEGAL DEBT PERCENTAGE

		Limit by Section	Cumulative Limit
I. General purpose			
Without a vote (includes capital leases)	1.5%		
With a vote	1.0%	2.5%	2.5%
II. Utilities purpose		2.5%	5.0%
III. Open space and parks facilities		<u>2.5%</u>	7.5%
Total legal limit		<u>7.5%</u>	

The basic percentages for Section I are the maximum levels of indebtedness those sections may incur. However, utility or parks indebtedness may each exceed 2.50% and reduce the general indebtedness margin. The percentages are applied to the taxable assessed value (regular levies) of about \$5.7 billion, resulting in the debt limits, as of December 31, 2015, for the City as follows:

### CUMULATIVE DEBT LIMITS

Assessed valuation of taxable property in the  
City of Yakima - tax year 2015

	<u>\$5,658,387,596</u>			
	<u>Without a Vote</u>	<u>With a Vote</u>		
	<u>General Purpose</u>	<u>General Purpose</u>	<u>Utilities</u>	<u>Open Space &amp; Parks</u>
	<u>1.5%</u>	<u>+1.0%=2.5%</u>	<u>+2.5%=5.0%</u>	<u>+2.5%=7.5%</u>
Legal limit - percent of assessed valuation	\$ 84,875,814	\$ 141,459,690	\$ 282,919,380	\$ 424,379,070
Less: net outstanding indebtedness <sup>(1)</sup>	<u>49,962,494</u>	<u>49,962,494</u>	<u>49,962,494</u>	<u>49,962,494</u>
Margin available	<u>\$ 34,913,320</u>	<u>\$ 91,497,196</u>	<u>\$ 232,956,886</u>	<u>\$ 374,416,576</u>

(1) Net outstanding indebtedness

Outstanding debt	\$ (47,662,615)
Compensated absence liability	(8,108,030)
Less: available resources to repay debt	<u>5,808,151</u>
Net outstanding indebtedness	<u>\$ (49,962,494)</u>



There have been no material violations of finance related legal or contractual provisions in any of the funds of the City. All bonded debt of the City is tax exempt, except for the recent \$5.0 million private placement Parks bond issued in 2015 – see note below. We believe the City to be in compliance with applicable IRS & SEC regulations.

The accompanying schedule of long term debt provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2015.

#### LONG-TERM LIABILITIES

				Amounts		
	Balance		Payments/	Balance	Due Within	Noncurrent
	01/01/15	Additions	Retirements	12/31/15	One Year	Portion
Governmental activities						
General obligation debt						
Bonds	\$ 34,039,194	\$ 5,000,000	\$ 2,825,828	36,213,366	\$3,311,136	\$ 32,902,230
Unamortized prem/(disc)	1,583,627	-	152,028	1,431,599	-	1,431,599
Intergovernmental loans	6,126,181	457,000	330,427	6,252,753	313,622	5,939,131
Lease purchase agreements	4,574,397	-	809,500	3,764,897	834,820	2,930,077
Net pension liability (restated)	11,848,140	3,183,964	-	15,032,104	-	15,032,104
Unfunded pension/OPEB liab	17,549,761	2,518,566	-	20,068,327	-	20,068,327
Compensated absences	7,856,268	576,146	-	8,432,414	1,236,094	7,196,320
Total liabilities - gov't activities	83,577,568	11,735,676	4,117,783	91,195,460	5,695,673	85,499,788
Business-type activities						
Revenue debt						
Revenue bonds	17,785,000	-	1,435,000	16,350,000	1,475,000	14,875,000
Unamortized prem/(disc)	803,741	-	94,646	709,095		709,095
Intergovernmental loans	22,379,453	532,982	1,650,872	21,261,563	1,461,237	19,800,326
Net pension liability (restated)	6,690,943	1,772,691	-	8,463,634	-	8,463,634
Unfunded pension/OPEB liab	1,272,017	220,881	-	1,492,898		1,492,898
Compensated absences	1,523,576	86,777	-	1,610,353	228,866	1,381,487
Noncurrent liabilities-bus type act	50,454,730	2,613,331	3,180,518	49,887,543	3,165,103	46,722,440
Total noncurrent liabilities	\$134,032,298	\$14,349,007	\$ 7,298,301	\$141,083,003	\$8,860,775	\$132,222,227

#### GENERAL OBLIGATION DEBT

General obligation bonds consist of serial and term bonds, to be retired through the fiscal year ending December 31, 2035. The City levies a special property tax; collects motel/hotel taxes, Business License fees, utility taxes; and receives State sales tax credits and gas tax for the principal and interest payments due within a fiscal year and provides the amounts in the respective Debt Service Fund.

In December, 2015 the City issued a private placement taxable Limited Tax General Obligation Bond in the principal amount of \$5,000,000. The proceeds are being used to finance the City's share of a multipurpose sports complex in partnership with SOZO Sports of central Washington, a local non-profit organization. Under the agreement, the City will fund improvements of \$4.1 million. Another \$900,000 is for expansion of adjacent park space/land. The bonds are being repaid with Parks Fund revenues as part of a Charter Amendment passed by voters in 2014 to allocate \$750,000 annually (adjusted for inflation) for parks improvements. The debt is being repaid and the premium amortized over a 20 year period ending June 1, 2031.

## GENERAL OBLIGATION BONDS

	<b>Date of Final Maturity</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Outstanding 12/31/15</b>	<b>Average Annual Debt Service</b>
Regular property tax levy					
2005 Parks capital project	12/01/15	4.0% - 4.5%	755,000	-	94,050
2008 Fire ladder truck	12/01/21	3.25% - 4.0%	760,000	390,000	73,996
2013 Streets project	06/20/28	1.67%	5,000,000	4,253,078	363,757
2014 Street resurfacing project	06/01/24	3.0% - 5.0%	13,140,000	12,255,000	1,648,493
2015 Yakima sports complex	06/01/35	3.30%	<u>5,000,000</u>	<u>5,000,000</u>	400,000
Total regular property tax levy			<u>24,655,000</u>	<u>21,898,078</u>	
Regular property tax levy/real excise tax					
2007 River Road project bond	05/01/17	4.0% -5 .0%	1,765,000	420,000	220,625
2007 Fire station West Valley rehab bond	05/01/22	4.0% -5 .0%	815,000	445,000	73,358
2007 Downtown revitalization project	05/01/22	4.0% -5 .0%	1,490,000	810,000	132,889
2008 Third Ave/Mead/Walnut St project bond	12/01/19	3.25% - 4.0%	<u>2,190,000</u>	<u>875,000</u>	240,713
Total regular property tax levy/real excise tax			<u>6,260,000</u>	<u>2,550,000</u>	
Motel/hotel tax					
2004 Conv center expansion bond ref 1996	11/01/19	2.0% - 4.2%	4,175,000	1,475,000	410,538
Public Facilities District (state sales tax credit)					
2007 Conv center addition refund 2002	05/01/26	4.0% -5 .0%	4,910,000	4,045,000	457,223
2009 Capitol Theatre expansion	12/01/32	3.0% - 6.6%	<u>7,035,000</u>	<u>5,690,000</u>	748,742
Total Public Facilities District			<u>11,945,000</u>	<u>9,735,000</u>	
Business licenses & real estate excise tax					
2003 SunDome expansion	12/01/23	2.34%-4.72%	1,430,528	555,288	148,424
			<u>\$ 48,465,528</u>	<u>\$ 36,213,366</u>	

## REVENUE BONDS

Water / Wastewater / Irrigation revenue bonds consist of serial and term bonds, to be retired through the fiscal year ending December 31, 2034. The principal and interest for the water / wastewater parity revenue bonds are provided by the results of operations. Principal and interest on Irrigation System Bonds are provided by capital rates.

## UTILITY REVENUE BONDS

	<b>Date of Final Maturity</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Outstanding 12/31/15</b>	<b>Average Annual Debt Service</b>
2004 Irrigation revenue bonds	09/01/34	2.0%-4.8%	5,215,000	3,960,000	319,959
2008 Wastewater revenue bonds (refund 1998)	11/01/27	4.0-5.0%	1,883,951	3,855,000	413,034
2008 Wastewater revenue bonds	11/01/18	4.0-5.0%	5,440,000	635,000	233,725
2012 Wastewater revenue bonds (refund 2003)	11/01/23	2.0%-4.0%	<u>9,400,000</u>	<u>7,900,000</u>	1,164,500
			<u>\$ 21,938,951</u>	<u>\$ 16,350,000</u>	

The following Schedule sets forth revenue debt service requirements to maturity (in thousands) and depicts both bond and intergovernmental loans and contracts.

#### REVENUE DEBT SERVICE

	Bonded		Notes &	
	Debt	Interest	Contracts	Interest
2016	\$ 1,475	\$ 654	\$ 1,461	\$ 152
2017	1,515	613	1,462	143
2018	1,575	556	1,464	133
2019	1,400	498	1,465	123
2020	1,460	551	1,466	114
2021-2025	5,855	1,859	6,775	428
2026-2030	1,930	765	4,869	217
2031-2035	1,140	495	2,137	52
2036-2037	-	-	163	1
	<u>\$ 16,350</u>	<u>\$ 5,991</u>	<u>\$ 21,262</u>	<u>\$ 1,363</u>

At December 31, 2015, the City had \$2,019,340 in restricted net position for debt service for the enterprise funds. These are in compliance with reserve requirements as contained in the various indentures.

#### INTERGOVERNMENTAL LOANS AND CONTRACTUAL AGREEMENTS

The City participated in a program administered by the State's Department of Community Development on behalf of the Public Works Board. The program provides financial assistance for general government activities, such as street / bridge improvements, or proprietary activities, such as water or sewage projects. The City has several loans through the Washington State Loan Programs as described in the following chart.

During 2015, the City borrowed \$307,000 from Yakima County's Supporting Investment in Economic Development (SIED) program to improve streets at the south side of the Yakima Air Terminal in order to open up the area to airport related development. Gas tax will be used to repay the debt. An additional \$150,000 was drawn down on the Public Works Trust fund loan already authorized for the railroad grade separation project, also to be repaid with gas tax.

#### INTERGOVERNMENTAL LOANS

	Interest	Maturity Date	Maximum Authorized	Outstanding 12/31/15
General long-term debt				
Arterial street gas tax				
PW-5-95-791-052 - Fair Avenue improvements	1.0%	07/01/15	\$ 1,000,000	\$ -
PC08-951-052 - 2009 Railroad grade separation	0.5%	07/01/28	3,000,000	2,146,303
2015 SIED Loan - 2015 Yakima County SIED Loan	2.4%	06/01/23	307,000	307,000
Real estate excise tax				
L1000030-0 - 2010 Railroad grade separation	2.9%	06/01/34	1,229,295	1,200,705
General fund sales tax				
CERB 1995 - 1995 Community Economic Revitalization Board	5.5%	07/01/16	425,448	33,745
General fund telephone utility tax - Yakima County				
COMM Ctr 911 - 2014 City Portion of 911 Call Dispatch Center	2.0-3.5%	05/01/34	1,716,500	1,665,000
Local Infrastructure Financing Tool (LIFT) sale tax credit				
2014 SIED (LIFT) Loan - 2014 Yakima County SIED Loan (LIFT)	2.4%	06/01/17	900,000	900,000
Sub-total general long-term debt				<u>6,252,753</u>

	<u>Interest</u>	<u>Maturity Date</u>	<u>Maximum Authorized</u>	<u>Outstanding 12/31/15</u>
Revenue debt				
Wastewater operating revenue				
PW-5-95-791-053 - 1995 Wastewater treatment facility rehab	1.0%	07/01/15	3,030,558	-
PW-5-95-791-054 - 1995 Neighborhood collection system	1.0%	07/01/15	209,367	-
PW-01-691-071 - 2001 Fruitvale neighborhood Sewer	0.5%	07/01/21	1,466,250	465,750
PW-05-691-064 - 2005 River Road sewer	0.5%	07/01/25	2,307,000	1,242,458
PW-07-962-019 - 2007 Ultra violet disinfection	0.5%	07/01/27	2,300,000	1,456,667
PC-12-951-065 - 2012 Wastewater Treatment Plan	0.5%	06/01/32	5,000,000	4,305,266
PC-13-961-059 - 2012 Industrial Sewer main extensions	0.5%	06/01/37	2,000,000	1,789,474
L1100008 - 2011 Energy efficiency project	2.8%	03/31/33	516,192	478,571
L1200019 - 2012 Industrial waste anaerobic	2.6%	07/01/34	602,634	587,173
Water operating revenue				
PW-03-691-027 - 2003 Naches WTP improvements	0.5%	07/01/23	2,559,775	1,077,800
SRF-04-65104-037 - 2005 Naches river WTP filter rehab	0.5%	10/01/25	894,380	470,726
PC-08-951-051 - 2009 New water well	0.5%	07/01/28	2,257,200	1,574,935
PC-13-961-074 - 2013 Automated reading system	0.3%	07/01/32	5,000,000	4,473,684
DM-11-952-038 - 2013 Design WTP lagoons	1.5%	10/01/34	3,480,000	3,339,060
Sub-total revenue debt				<u>21,261,563</u>
Total intergovernmental loans				<u>\$27,514,316</u>

The Public Works Trust Fund loans have a term not to exceed twenty years and require 1/19th of the original principal plus interest to be paid each July 1st. These are subordinate to utility systems' parity debt and do not require a full faith and credit pledge.

The following schedule sets forth the general obligation debt and intergovernmental loans and contracts, debt service requirements including interest, to maturity (in thousands).

#### GENERAL OBLIGATION DEBT SERVICE

	<u>Bonded Debt</u>	<u>Interest</u>	<u>Notes &amp; Contracts</u>	<u>Interest</u>
2016	\$ 3,311	\$ 1,450	\$ 314	\$ 103
2017	3,430	1,346	1,181	166
2018	3,321	1,230	336	100
2019	3,362	1,111	339	94
2020	2,893	988	342	89
2021-2025	12,828	3,659	1,695	343
2026-2030	4,518	1,545	1,328	194
2031-2035	2,550	467	719	55
	<u>\$ 36,213</u>	<u>\$ 11,796</u>	<u>\$ 6,254</u>	<u>\$ 1,144</u>

At December 31, 2015, the City had \$232,621 available in debt service funds to service the General Obligation Bonds and notes.

There are a number of other limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

## LEASE PURCHASE AGREEMENTS

### General Capital Assets

As part of the City's capital equipment budgeting program, selected items are obtained via lease purchase and municipal lease/deferred purchase plans. Since the leases are financing agreements which transfer ownership to the City at the end of the lease term, the City records the present value of future lease payments as a capital outlay expenditure and as an offset to other financial sources in the year that the asset is received. The present value of payments due in future periods is shown as a liability in the financial statements and the cost of the asset is recorded in the financial statements.

On March 19, 2013 the City of Yakima borrowed \$310,414 using Washington State's Local Option Capital Lending (LOCAL) program. The proceeds were used to purchase one Fire apparatus, approved by City Council on December 4, 2012. The certificates of participation have an all-inclusive financing cost of 1.93% and will be repaid annually over the next 10 years out of General Fund.

On August 16, 2013 the City of Yakima borrowed \$4,632,792 from Washington State's Local Option Capital Lending (LOCAL) program. The proceeds were used to purchase 74 Police vehicles for expansion of the assigned Police vehicle program approved by City Council on June 4, 2013. The certificates of participation have an all-inclusive financing cost of 1.619% and will be repaid annually over the next 6 years out of General Fund.

### LEASED EQUIPMENT

Two fire apparatus	\$ 311,443
One fire apparatus	258,748
74 Police vehicles; 70 airpacks for fire service	<u>3,194,706</u>
Total	<u>\$3,764,897</u>

The following is a schedule of the future minimum lease payments under the above capital leases and the present value of net minimum lease payments at December 31, 2015, for the fiscal year listed:

### LEASE PAYMENTS

Due in 2016	\$ 985,109
Due in 2017	985,109
Due in 2018	985,109
Due in 2019	985,109
Due in 2020	109,174
Due in 2021-2023	<u>117,647</u>
Total minimum lease payments	4,167,259
Less: Amount representing interest	<u>402,362</u>
Present value of minimum lease payments	<u>\$3,764,897</u>

### UNFUNDED POST EMPLOYMENT BENEFIT LIABILITIES

The City maintains two single employer defined benefit pension plans, Firemen's Pension and Police Pension, which are closed systems, covering Firemen and Police Officers hired prior to March 1, 1970. Both plans had their first annual actuarial valuation as of March 31, 1989. The required contributions identified in this and subsequent studies were the basis for recording the unfunded pension liability since 1989, with the most recent study performed as of January 1, 2012.

Starting in 2008, the City implemented GASB 45 for Other Post-Employment Benefits (OPEB), and initial actuarial evaluations were performed as of January 1, 2008. By State statute, the City is required to provide healthcare benefits for certain retired police officers and firefighters. The City's self-insured medical plan allows retirees and the eligible dependents to self-pay premiums using the same rate as active employees, until they reach age 65, thereby creating an "implicit rate subsidy". All three of the programs are pay as you go.

#### OUTSTANDING LIABILITIES

	Balance		Balance
	1/1/15	Additions	12/31/15
Police pension	\$ 4,984,635	\$ 21,059	\$ 5,005,694
OPEB Fire - medical	5,591,944	1,141,422	6,733,366
OPEB Police - medical	4,720,727	964,957	5,685,684
OPEB Non-LEOFF - medical	3,524,472	612,009	4,136,481
Total	<u>\$ 18,821,778</u>	<u>\$ 2,739,447</u>	<u>\$ 21,561,225</u>

Both the Police Pension and Police OPEB are paid out of a department in the General Fund. The Fire OPEB is paid through the Firemen's pension trust fund. The non-LEOFF retiree benefits are being paid annually through the Employees Health Benefit Reserve fund. The unfunded pension liability will be adjusted annually by comparing actual expenditures for benefits to the actuarially determined contribution.

See Note 5 for additional information on the pension funds, and Note 6 for additional information on Other Post-Employment Benefits.

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#### **NOTE 10 – CONTINGENCIES AND LITIGATIONS**

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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.

#### **SECTION 108 LOAN PROGRAM**

In 2003, the City was authorized to administer a Housing and Urban Development (HUD) Section 108 Loan program. HUD has authorized the City to lend up to a maximum of \$6.945 million in two separate loan pools (\$4 million in 2003 and \$2.945 million in 2005). These federal loans are available for the purpose of funding property rehabilitation for economic development activities that will create new jobs within the target area. As of December 31, 2015, the City has approved all its authorized maximum Section 108 loans of \$6.945 million. The nature of this program is the City approves qualified projects for the loan within HUD guidelines and acts as a conduit for HUD funds. The loan proceeds flow directly to the ultimate Corporate Borrower. Payments flow from the Corporate Borrower to the City's Custodian and then to HUD. The loans are on an amortization schedule from 10 years to 25 years. The HUD contract specifically provides that the loans are not full faith and credit obligations of the City, but instead, future Community Development Block Grant (CDBG) allocations are pledged on these loans. The City has entered into agreements to collateralize their position within HUD underwriting guidelines. In 2005, one of the loans was defeased and another defeased in 2009. Additionally, the City has been awarded a \$1 million Economic Development Initiative (EDI) grant from HUD as a protection in case of a default. As of December 31, 2015, there is only one HUD 108 loan remaining.

## POTENTIAL LITIGATION

The City is a defendant in various legal actions and claims that arise during the normal course of business, some of which, but not all, are covered by insurance. Although certain lawsuits and claims are significant in amount, the final dispositions are not determinable and, in the opinion of City management, the final outcome of these matters, taken individually or in the aggregate, are not expected to have a material adverse effect on the governmental operations or financial position of the City. The City has provided for reserves to address these matters, which include but are not limited to, lawsuits described below. City management believes these reserves and/or insurance are adequate to cover such matters.

The City was a party to a lawsuit in federal court in Case No. 12-CV-3108-TOR where the plaintiffs claimed that the City was in violation of Section 2 of the federal Voting Rights Act and requested redistricting. The plaintiffs requested injunctive and declaratory relief under Section 2 of the Voting Rights Act, 42 U.S.C. § 1973. Plaintiffs did not request damages other than in the form of the attorneys' fees and costs that could be awarded by the court if they prevailed on their claim. On February 17, 2015, Judge Rice issued an Order pursuant to Section 2 of the Voting Rights Act requiring Yakima to implement a new system for electing Councilmembers. Under this system, there are seven district positions and no at-large positions, and only the registered voters within a district can vote for candidates in the primary and general election for the district position. The seven members of the current City Council were elected under this system in November, 2015. On June 19, 2015, Judge Thomas O. Rice issued an Order in which plaintiffs were awarded a total of \$1,846,014.26 (\$1,521,911.50, and litigation expenses in the amount of \$320,461.26). In April 2016, pursuant to City Resolution No. R-2016-051, the parties settled the case, and the City paid \$1,846,014.26 pursuant to the Order of June 19, 2015. On April 12, 2016, pursuant to the stipulation of the parties, the appeals to the U.S. Court of Appeals for the Ninth Circuit were voluntarily dismissed with prejudice. This amount is included in the claims and judgements liability in the Risk Management Reserve Fund.

The City is a party to a lawsuit in federal court in Case No. 13-CV-3012-TOR where the plaintiff alleges his constitutional rights were violated by City police as a result of felony charges, his conviction in 1996 and subsequent imprisonment. The plaintiff brought a lawsuit against the City and a City police officer after a second trial in 2010 where he was acquitted. The police officer remained as a defendant, and the plaintiff claims damages in the approximate amount of \$20 million plus fees and costs. On July 7, 2014, Judge Thomas O. Rice dismissed the case with prejudice. On August 1, 2014, the plaintiff filed a Notice of Appeal in U.S. Court of Appeals for the Ninth Circuit in Case No. 14-35651. On September 25, 2015, the Ninth Circuit reversed the summary judgment, the case was remanded for trial, and the jury trial was set for September 12, 2016. On May 23, 2016, Judge Thomas O. Rice issued an "Order on Defendant's Motion for Summary Judgment" and granted summary judgment in the police officer's favor. The Court granted defendant's Motion for Summary Judgment, and dismissed all plaintiff's claims with prejudice. On May 25, 2016, the plaintiff filed an appeal to the U.S. Court of Appeals for the Ninth Circuit.

The City is a party in a lawsuit in Yakima County Superior Court Case No. 10-2-00989-1 for wrongfully evicting a tenant of the Yakima Air Terminal, a City-owned municipal airport that had previously been co-owned by the City of Yakima and Yakima County. On December 10, 2013, the Washington State Court of Appeals issued its opinion that the tenant was improperly evicted. The alleged successor to the tenant claims damages in excess of \$7 million, plus fees, costs, interest and treble damages. Another entity identifying itself as a secured creditor to the tenant has filed a claim for \$3,408,478.72, plus fees, costs, interest and other unliquidated damages against the City and the County, and subsequently filed a lawsuit in Yakima County Superior Court Case No. 14-2-00967-3. It is unknown when a judgment for damages, if any, will be entered. The jury trial in both cases is set for March 27, 2017. Any such damages would be allocated equally between the City and the County. Yakima Air Terminal-McAllister Field, the City of Yakima, and the County of Yakima tendered defense and indemnity of the Yakima Air Terminal litigation to their insurers, ACE Property & Casualty Insurance Company and Westchester Surplus Lines Insurance Company. Both insurers are defending the claims under reservation of rights, and both have filed declaratory judgment actions in U.S. District Court for the Eastern District of Washington challenging their duties to defend and indemnify any settlement or judgment in the Yakima Air Terminal litigation. Those insurance



coverage lawsuits are pending in federal court in *ACE Property and Casualty Insurance Company v. Yakima Air Terminal - McAllister Field*; *M.A. West Rockies Corporation*; *Langdon Family Revocable Trust, assignee of M.A. West Rockies Corporation*; *Byron and Alice Lockwood Foundation*, Case No. CV-3002-RMP, and in *Westchester Surplus Lines Insurance Company v. Yakima Air Terminal McAllister Field*; *City of Yakima*; and *County of Yakima*, Case No. CV-3021-TOR (jury trial on September 12, 2016).

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**NOTE 11 – FUND BALANCE CLASSIFICATION**

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The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, which require the City to classify its fund balances based on spending constraints imposed on the use of resources. The following is a schedule of the ending fund balance as of December 31, 2015.

**FUND BALANCE**

	General	Other	
Fund Balance	Fund	Gov't Funds	Total
Nonspendable			
Permanent fund	-	647,731	647,731
Restricted			
Emergency services	-	203,162	203,162
Arterial street construction & maintenance	-	1,281,875	1,281,875
Housing & economic development	-	973,475	973,475
Public safety	-	371,379	371,379
Debt service	-	232,621	232,621
Capital improvements	-	7,048,140	7,048,140
Tourism, conv & business improvement	-	1,390,326	1,390,326
Total restricted	-	11,500,978	11,500,978
Committed			
Community relations	-	657,411	657,411
Parks and recreation	-	535,902	535,902
Streets maintenance	-	749,551	749,551
Capital improvements	-	677,827	677,827
Other purposes	-	42,216	42,216
Tourism, conv & business improvement	-	36,641	36,641
Total committed	-	2,699,548	2,699,548
Assigned			
Parks and recreation	-	488,625	488,625
Streets maintenance	-	94,164	94,164
Public safety	-	777,230	777,230
Debt service	-	34,063	34,063
Tourism, conv & business improvement	-	248,751	248,751
Total assigned	-	1,642,833	1,642,833
Unassigned	5,867,373	(365,829)	5,501,544
Total fund balance	<u>\$ 5,867,373</u>	<u>\$ 16,125,261</u>	<u>\$ 21,992,634</u>



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**NOTE 12 – SEGMENT INFORMATION**

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**WATER AND WASTEWATER UTILITIES**

For the purposes of revenue bond debt issuance, the water and wastewater utilities are combined in a single segment (i.e., the System). Therefore, investors in the revenue bonds rely on the revenue generated by both activities for repayment. Investors in irrigation revenue bonds rely solely on the revenue generated from the irrigation utility for repayment. Summary financial information for the System and irrigation utility follows.

**SYSTEM INFORMATION**

	<u>Water / Wastewater</u>	<u>Irrigation</u>
Condensed statement of net position		
Assets		
Current assets	\$ 23,115,934	\$ 2,471,806
Restricted assets	1,984,528	34,813
Capital assets	<u>124,227,763</u>	<u>18,726,494</u>
Total assets	<u>149,328,225</u>	<u>21,233,113</u>
Deferred outflows	<u>432,515</u>	<u>-</u>
Total assets and deferred outflows	<u>149,760,740</u>	<u>21,233,113</u>
Liabilities		
Current liabilities	4,486,286	276,948
Noncurrent liabilities	<u>37,714,541</u>	<u>4,299,958</u>
Total liabilities	<u>42,200,827</u>	<u>4,576,906</u>
Deferred inflows	<u>142,758</u>	<u>13,199</u>
Total liabilities and deferred inflows	<u>42,343,585</u>	<u>4,590,105</u>
Net position		
Invested in capital assets, net of related debt	89,787,495	14,846,105
Restricted	1,984,528	34,812
Unrestricted	<u>15,645,132</u>	<u>1,762,091</u>
Total net position	<u>\$ 107,417,155</u>	<u>\$ 16,643,008</u>
Condensed statement of revenues, expenses and changes in net position		
Operating revenues		
Charges for services	\$ 29,648,360	\$ 3,047,555
Other operating revenues	<u>63,112</u>	<u>-</u>
Total operating revenues	<u>29,711,472</u>	<u>3,047,555</u>
Operating expenses		
Operations and maintenance	15,287,032	1,569,650
In lieu taxes	5,773,758	-
Depreciation	<u>5,746,144</u>	<u>373,231</u>
Total operating expenses	<u>26,806,934</u>	<u>1,942,881</u>
Operating income (loss)	2,904,538	1,104,674
Nonoperating revenues (expenses)		
Miscellaneous interest (net)	(664,720)	(191,194)
Other Nonoperating (net)	<u>46,989</u>	<u>280</u>
Total Nonoperating revenues (expenses)	<u>(617,731)</u>	<u>(190,914)</u>
Income (loss) before contributions and transfers	2,286,807	913,760

	<b>Water / Wastewater</b>	<b>Irrigation</b>
Capital contributions	2,574,720	5,900
Operating transfers (net)	(460,185)	(28,189)
Change in net position	<u>4,401,342</u>	<u>891,471</u>
Total net position - January 1	<u>108,546,027</u>	<u>16,262,833</u>
Direct adjustment to beginning net position - GASB 68	<u>(5,530,214)</u>	<u>(511,296)</u>
Total net position - December 31	<u><u>\$ 107,417,155</u></u>	<u><u>\$ 16,643,008</u></u>
Condensed statement of cash flows		
Net cash provided (used)		
Operating activities	\$ 7,165,804	\$ 1,439,095
Capital financing activities	(2,182,344)	(965,617)
Investing activities	<u>(3,587,914)</u>	<u>(334,680)</u>
Net increase (decrease)	<u>1,395,546</u>	<u>138,798</u>
Beginning cash and cash equivalents	<u>1,496,035</u>	<u>121,676</u>
Ending cash and cash equivalents	<u><u>\$ 2,891,581</u></u>	<u><u>\$ 260,474</u></u>

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### ***NOTE 13 – OTHER DISCLOSURES***

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#### **RELATED PARTIES**

The Yakcorps (632) fund was established in 2011 to account for the fiscal activity of the Yakima Consortium for Regional Public Safety (YAKCORPS). YAKCORPS consists of a variety of local agencies and governments. It was formed to operate and maintain a county-wide multi-discipline public safety system. An Interlocal Agreement provides for the structure, governance, operations and funding of the Consortium and its activities. Per the Agreement, the City of Yakima acts as fiscal agent for the Consortium.

**SCHEDULE OF EMPLOYER CONTRIBUTION**

December 31, 2015

**NON-LEOFF OPEB**

Fiscal Year Ending	Actual		Medical Benefit Payments	Net Employer Contrib		Annual Required Contrib (ARC)		% of ARC Contrib
	Employer Contrib Taxes							
12/31/06	n/a		n/a		n/a		n/a	n/a
12/31/07	n/a		n/a		n/a		n/a	n/a
12/30/08	344,732		344,732		344,732		870,610	39.6%
12/30/09	371,940		371,940		371,940		870,610	42.7%
12/30/10	391,940		391,940		391,940		870,610	45.0%
12/30/11	427,796		427,796		427,796		870,610	49.1%
12/30/12	343,042		343,042		343,042		978,614	35.1%
12/30/13	380,818		380,818		380,818		978,614	38.9%
12/30/14	412,448		412,448		412,448		978,614	42.1%
12/30/15	212,830		212,830		212,830		919,484	23.1%

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

## CITY OF Yakima

**SCHEDULE OF EMPLOYER CONTRIBUTION**

December 31, 2015

POLICE PENSION										POLICE OPEB									
Fiscal Year Ending	Actual			Medical Benefit			Annual			Fiscal Year Ending	Actual			Medical Benefit			Annual		
	Employer Contrib	Taxes	Payments & Admin Expenses	Net Employer Contrib	Required Contrib (ARC)	% of ARC Contrib	Employer Contrib	Taxes	Payments		Net Employer Contrib	Required Contrib (ARC)	% of ARC Contrib	Employer Contrib	Taxes	Payments	Net Employer Contrib	Required Contrib (ARC)	% of ARC Contrib
12/31/06	\$1,235,437		\$ 701,306	\$ 534,131	\$ 657,086	81.3%				12/31/06	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
12/31/07	1,384,894		765,907	618,987	657,086	94.2%				12/31/07	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
12/30/08	1,279,173		723,381	555,792	546,180	101.8%		\$	721,262	12/30/08	\$ 721,262	\$ 721,262	\$ 721,262	\$ 721,262	\$ 721,262	\$ 721,262	\$ 1,298,388	55.6%	
12/30/09	1,316,310		742,965	573,345	546,180	105.0%			725,561	12/30/09	725,561	725,561	725,561	725,561	725,561	725,561	1,298,388	55.9%	
12/30/10	1,368,431		783,984	584,447	546,180	107.0%			779,481	12/30/10	779,481	779,481	779,481	779,481	779,481	779,481	1,298,388	60.0%	
12/30/11	1,471,511		844,804	626,707	546,180	114.7%			840,870	12/30/11	840,870	840,870	840,870	840,870	840,870	840,870	1,298,388	64.8%	
12/30/12	1,264,681		629,237	635,444	550,743	115.4%			609,766	12/30/12	609,766	609,766	609,766	609,766	609,766	609,766	1,623,168	37.6%	
12/30/13	1,344,773		735,550	609,223	550,743	110.6%			732,690	12/30/13	732,690	732,690	732,690	732,690	732,690	732,690	1,623,168	45.1%	
12/30/14	1,193,161		681,278	511,883	477,994	107.1%			669,604	12/30/14	669,604	669,604	669,604	669,604	669,604	669,604	1,623,168	41.3%	
12/30/15	1,038,971		597,420	441,551	477,994	92.4%			593,717	12/30/15	593,717	593,717	593,717	593,717	593,717	593,717	1,685,444	35.2%	

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**SCHEDULE OF EMPLOYER CONTRIBUTION**

December 31, 2015

FIRE PENSION										FIRE OPEB									
Medical																			
Fiscal Year Ending	Actual Employer Contrib Taxes	Benefit Payments & Admin Expenses	Net Employer Contrib	Annual Required Contrib (ARC)	% of ARC Contrib	Fiscal Year Ending	Actual Employer Contrib Taxes	Medical Benefit Payments	Net Employer Contrib	Annual Required Contrib (ARC)	% of ARC Contrib								
12/31/06	\$1,558,187	\$ 815,278	\$ 742,909	\$ 633,545	117.3%	12/31/06	n/a	n/a	n/a	n/a	n/a								
12/31/07	1,603,774	814,394	789,380	633,545	124.6%	12/31/07	n/a	n/a	n/a	n/a	n/a								
12/30/08	1,627,553	732,318	895,235	563,583	158.8%	12/30/08	687,047	687,047	687,047	1,365,282	50.3%								
12/30/09	1,487,075	796,765	690,310	563,583	122.5%	12/30/09	724,291	724,291	724,291	1,365,282	53.1%								
12/30/10	1,575,935	825,933	750,002	563,583	133.1%	12/30/10	785,124	785,124	785,124	1,365,282	57.5%								
12/30/11	1,480,800	822,612	658,188	563,583	116.8%	12/30/11	781,717	781,717	781,717	1,365,282	57.3%								
12/30/12	1,381,576	595,880	785,696	525,501	149.5%	12/30/12	566,185	566,185	566,185	1,695,966	33.4%								
12/30/13	1,278,539	593,090	685,449	525,501	130.4%	12/30/13	552,171	552,171	552,171	1,695,966	32.6%								
12/30/14	1,275,077	617,441	657,636	458,958	143.3%	12/30/14	554,617	554,617	554,617	1,695,966	32.7%								
12/30/15	1,265,720	600,464	665,256	458,958	144.9%	12/30/15	545,944	545,944	545,944	1,837,532	29.7%								

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**SCHEDULE OF FUNDING PROGRESS**

December 31, 2015

Amounts Expressed in Thousands

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAAL % of Covered Payroll
Police Pension	01/01/12	\$ -	\$ 7,726	\$ 7,726	0.0%	\$ -	0.0%
	01/01/14	-	6,413	6,413	0.0%	-	0.0%
	01/01/16	-	5,726	5,726	0.0%	-	0.0%
Police OPEB	01/01/08	-	23,007	23,007	0.0%	n/a	n/a
	01/01/12	-	25,615	25,615	0.0%	n/a	n/a
	01/01/16	-	26,327	26,317	0.0%	n/a	n/a
Fire Pension	01/01/12	795	8,168	7,373	10.0%	-	0.0%
	01/01/14	941	7,099	6,158	13.0%	-	0.0%
	01/01/16	1,019	7,392	6,373	14.0%	-	0.0%
Fire OPEB	01/01/08	-	24,295	24,295	0.0%	n/a	n/a
	01/01/12	-	26,344	26,344	0.0%	n/a	n/a
	01/01/16	-	28,703	28,703	0.0%	n/a	n/a
Non-LEOFF OPEB	01/01/08	-	7,003	7,003	0.0%	n/a	n/a
	01/01/12	-	7,843	7,843	0.0%	n/a	n/a
	01/01/16	-	7,298	7,298	0.0%	n/a	n/a

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET POSITION LIABILITY**

As of June 30, 2015

Amounts Expressed in Thousands

**PERS 1**

<b>Local Government's Proportionate Share - Net Pension Liability</b>	<b>2015</b>
Employer's proportion of the net pension liability (asset)	0.2473%
Employer's proportionate share of the net pension liability	\$ 12,938
Employer's covered employee payroll	664
Employer's proportionate share - net pension liability as a % of covered employee payroll	1948.9%
Plan fiduciary net position as a percentage of the total pension liability	59.1%

**Schedule of Contributions**

	<b>2015</b>
Statutorily or contractually required contributions	\$ 1,263
Contributions in relation to the statutorily or contractually required contributions	(1,263)
Contribution deficiency (excess)	\$ -
Covered employer payroll	\$ 554
Contributions as a percentage of covered employee payroll	228.0%

**Notes:**

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2015. There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET POSITION LIABILITY**

As of June 30, 2015

Amounts Expressed in Thousands

**PERS 2 & 3**

<b>Local Government's Proportionate Share - Net Pension Liability</b>	<b>2015</b>
Employer's proportion of the net pension liability (asset)	0.2942%
Employer's proportionate share of the net pension liability	\$ 10,512
Employer's covered employee payroll	21,025
Employer's proportionate share - net pension liability as a % of covered employee payroll	50.0%
Plan fiduciary net position as a percentage of the total pension liability	89.2%

**Schedule of Contributions**

	<b>2015</b>
Statutorily or contractually required contributions	\$ 1,511
Contributions in relation to the statutorily or contractually required contributions	(1,511)
Contribution deficiency (excess)	\$ -
Covered employer payroll	\$ 26,794
Contributions as a percentage of covered employee payroll	5.6%

**Notes:**

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2015. There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.



**SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET POSITION LIABILITY**

As of June 30, 2015

Amounts Expressed in Thousands

**PSERS**

Local Government's Proportionate Share - Net Pension Liability	2015
Employer's proportion of the net pension liability (asset)	0.2462%
Employer's proportionate share of the net pension liability	\$ 45
Employer's covered employee payroll	718
Employer's proportionate share - net pension liability as a % of covered employee payroll	6.3%
Plan fiduciary net position as a percentage of the total pension liability	95.1%
<b>Schedule of Contributions</b>	<b>2015</b>
Statutorily or contractually required contributions	\$ 46
Contributions in relation to the statutorily or contractually required contributions	(46)
Contribution deficiency (excess)	\$ -
Covered employer payroll	\$ 712
Contributions as a percentage of covered employee payroll	6.5%

**Notes:**

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2015. There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET POSITION LIABILITY**

As of June 30, 2015

Amounts Expressed in Thousands

**LEOFF 1**

Local Government's Proportionate Share - Net Pension Liability	2015
Employer's proportion of the net pension liability (asset)	0.2686%
Employer's proportionate share of the net pension liability	\$ (3,237)
Employer's covered employee payroll	-
Employer's proportionate share - net pension liability as a % of covered employee payroll	0.0%
Plan fiduciary net position as a percentage of the total pension liability	127.4%

**Schedule of Contributions**

	2015
Statutorily or contractually required contributions	\$ -
Contributions in relation to the statutorily or contractually required contributions	-
Contribution deficiency (excess)	\$ -
Covered employer payroll	\$ -
Contributions as a percentage of covered employee payroll	0.0%

**Notes:**

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2015. There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET POSITION LIABILITY**

As of June 30, 2015

Amounts Expressed in Thousands

**LEOFF 2**

<b>Local Government's Proportionate Share - Net Pension Liability</b>	<b>2015</b>
Employer's proportion of the net pension liability (asset)	0.7426%
Employer's proportionate share of the net pension liability	\$ (7,633)
State's proportion of the net pension liability (asset) associated with the employer	(720)
Total	<u>\$ (8,352)</u>
Employer's covered employee payroll	21,562
Employer's proportionate share - net pension liability as a % of covered employee payroll	-35.4%
Plan fiduciary net position as a percentage of the total pension liability	111.7%

**Schedule of Contributions**

	<b>2015</b>
Statutorily or contractually required contributions	\$ 1,121
Contributions in relation to the statutorily or contractually required contributions	<u>(1,121)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employer payroll	\$ 22,188
Contributions as a percentage of covered employee payroll	5.0%

**Notes:**

The City implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2015. There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

The Notes to the Financial Statements, found in the Basic Financial Section, are an integral part of this statement.

**SCHEDULE 16****EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrcpts	Note
				From Pass- Through Awards	From Direct Awards	Total		
Food And Nutrition Service, Department Of Agriculture (via WA Office of Superintendent)	Child and Adult Care Food Program	10.558	39141326	\$ 14,231	\$ -	\$ 14,231	\$ -	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15-MC-53- 0008	-	548,660	548,660	125,000	7
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B14-MC-53- 0008	-	495,725	495,725	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	CDBG Program Income	-	70,715	70,715	-	3
<b>Total CFDA 14.218:</b>				<b>-</b>	<b>1,115,100</b>	<b>1,115,100</b>	<b>125,000</b>	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M15-MC53- 0203	-	36,993	36,993	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-MC53- 0203	-	206,417	206,417	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	Home Program Income	-	23,659	23,659	-	3
<b>Total CFDA 14.239:</b>				<b>-</b>	<b>267,069</b>	<b>267,069</b>	<b>-</b>	
National Park Service, Department Of The Interior (via WA Dept of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	DAHA #FY16- 61016-011	4,000	-	4,000	-	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	Bulletproof Vest	-	7,940	7,940	-	

**SCHEDULE 16****EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrcpts	Note
				From Pass- Through Awards	From Direct Awards	Total		
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	Emphasis Patrol Radios	-	18,198	18,198	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	333	-	42,586	42,586	-	
Total CFDA 16.738:				-	60,784	60,784	-	
Federal Aviation Administration (FAA), Department Of Transportation	Airport Improvement Program	20.106	AIP 32	-	48,694	48,694	-	2
Federal Aviation Administration (FAA), Department Of Transportation	Airport Improvement Program	20.106	AIP 33	-	351	351	-	2
Federal Aviation Administration (FAA), Department Of Transportation	Airport Improvement Program	20.106	AIP 34	-	400,000	400,000	-	2
Federal Aviation Administration (FAA), Department Of Transportation	Airport Improvement Program	20.106	AIP 35	-	896	896	-	2
Federal Aviation Administration (FAA), Department Of Transportation	Airport Improvement Program	20.106	AIP 36	-	2,572	2,572	-	
Federal Aviation Administration (FAA), Department Of Transportation	Airport Improvement Program	20.106	AIP 37	-	2,573	2,573	-	2
Total CFDA 20.106:				-	455,086	455,086	-	

**SCHEDULE 16****EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)		CFDA Award Number	Other Award Number	Expenditures			Passed through to	
				From Pass- Through Awards	From Direct Awards	Total	Subrcpts	Note
Highway Planning and Construction Cluster								
Federal Highway Administration (FHWA), Dept Of Transportation (via WA State DOT)	Highway Planning and Construction	20.205	#2143 STPUS- 4566(007)	2,846	-	2,846	-	2
Federal Highway Administration (FHWA), Dept Of Transportation (via WA State DOT)	Highway Planning and Construction	20.205	Project 2343	184,613	-	184,613	-	2
Federal Highway Administration (FHWA), Dept Of Transportation (via WA State DOT)	Highway Planning and Construction	20.205	Project 2344	96,470	-	96,470	-	2
Federal Highway Administration (FHWA), Dept Of Transportation (via WA State DOT)	Highway Planning and Construction	20.205	#2340 STPUS=457 9(011)	17,636	-	17,636	-	2
Federal Highway Administration (FHWA), Dept Of Transportation (via WA State DOT)	Highway Planning and Construction	20.205	#2357 POMV1000 S(369)	327,982	-	327,982	-	2
Federal Highway Administration (FHWA), Dept Of Transportation (via WA State DOT)	Highway Planning and Construction	20.205	#2380 SRTS- 4711(004)	35,385	-	35,385	-	2
Total Highway Planning and Construction Cluster:				664,932	-	664,932	-	
Federal Transit Cluster								
Federal Transit Administration (FTA), Department Of Transportation	Federal Transit Formula Grants	20.507	WA-90X605- 00	-	2,381,292	2,381,292	-	
Total Federal Transit Cluster:				-	2,381,292	2,381,292	-	
Federal Transit Administration (FTA), Department Of Transportation (via WA State DOT)	Formula Grants for Rural Areas	20.509	5311	95,707	-	95,707	-	2

**SCHEDULE 16****EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrcpts	Note
				From Pass- Through Awards	From Direct Awards	Total		
Transit Services Programs Cluster								
Federal Transit Administration (FTA), Dept Of Transportation (via WA State DOT)	Job Access And Reverse Commute Program	20.516	5316 JARC Eburt	46,297	-	46,297	-	2
Total Transit Services Programs Cluster:				46,297	-	46,297	-	
Office Of The Secretary (OST) Administration Secretary, Department Of Transportation	Payments for Small Community Air Service Development	20.930	Air Service Dev	-	69,482	69,482	-	
Administration For Community Living, Department Of Health And Human Services (via Yakima County)	Special Programs for the Aging-Title III, Part D-Disease Prevention & Health Promotion Services	93.043	Transit Paratransit	404	-	404	-	
Administration For Community Living, Department Of Health And Human Services (via Yakima County)	Special Programs for the Aging-Title III, Part D-Disease Prevention & Health Promotion Services	93.043	Foot care 0969-54703	15,161	-	15,161	-	
Total CFDA 93.043:				15,565	-	15,565	-	
Aging Cluster								
Administration For Community Living, Department Of Health And Human Services (via Yakima County)	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	Daycare 0969-54703	17,309	-	17,309	-	
Total Aging Cluster:				17,309	-	17,309	-	
Department Of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	SAFER	-	243,988	243,988	-	
Total Federal Awards Expended:				\$ 858,041	\$4,600,741	\$5,458,782	\$ 125,000	

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**SCHEDULE 16****NOTES TO THE SCHEDULE OF EXPENDITURES**For the Year Ended December 31, 2015

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## Note 1 - Basis of Accounting

The Schedule of Expenditures of Federal Award is prepared on the same basis of accounting as the City of Yakima financial statements. The City of Yakima uses modified accrual system for all governmental funds: full accrual system for proprietary, nonexpendable and pension trust funds.

## Note 2 - Program Costs

The amounts shown as current year expenditures represent only the federal portion of program costs. Actual program costs, including the City of Yakima's portion may be more than shown.

## Note 3 - Program Income

The City of Yakima has a loan program for low income housing. Under this federal grant, repayments to the City of Yakima are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures.

## Note 4 - Federal Loans

In 2003, the City of Yakima was authorized to administer a Section 108 Loan program. There were no new loans in 2015. Since the City is only contingently liable, this amount is not included in the Schedule of Long-Term Debt.

## Note 5 - Noncash Awards

Not applicable

## Note 6 - Indirect Cost Rate

Not applicable

## Note 7- Amount Paid to Subrecipients

The City of Yakima paid the following amounts to subrecipients:

CDBG-14.218	\$ 75,000	OIC
	50,000	RCDR
	<u>\$ 125,000</u>	



## 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.

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>