



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Yakima

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

Published September 28, 2023

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**Office of the Washington State Auditor
Pat McCarthy**

September 28, 2023

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,

Pat McCarthy, State Auditor
Olympia, WA

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
Summary Schedule of Prior Audit Findings	9
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 <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	17
Independent Auditor's Report on the Financial Statements.....	21
Financial Section.....	25
Corrective Action Plan for Findings Reported Under Uniform Guidance	132
About the State Auditor's Office.....	134

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Yakima January 1, 2022 through December 31, 2022

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 basic 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 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 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>ALN</u>	<u>Program or Cluster Title</u>
14.218	CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants
14.218	COVID-19 – CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants
20.106	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs
20.106	COVID-19 – Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
20.507	Federal Transit Cluster - Federal Transit Formula Grants
20.507	COVID-19 – Federal Transit Cluster - Federal Transit Formula Grants
20.526	Federal Transit Cluster - Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

See Finding 2022-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Yakima January 1, 2022 through December 31, 2022

2022-001 The City's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment.

Assistance Listing Number and Title:	21.027, COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	22-96720-207 and 22-51604-035
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	Yes, Finding 2021-003

Description of Condition

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2022, the City spent \$2,505,730 in program funds for the provision of government services, public health and supporting the tourism industry. Of this, the City spent \$1,666,342 of funds received directly from U.S. Department of the Treasury.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit grant recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors have not been suspended, debarred or otherwise excluded. This also applies to all subrecipients who have received federal subawards from the City, regardless of the award amount. The City may accomplish this verification by collecting a written certification from the contractor or subrecipient, adding a clause or condition into the contract that states the contractor or subrecipient is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must perform this verification before entering into the contract or making the subaward, and it must maintain documentation demonstrating compliance with this federal requirement.

Description of Condition

Our audit found the City's internal controls were inadequate for ensuring staff verified the suspension and debarment status of contractors for purchases exceeding \$25,000, paid all or in part with federal funds. Specifically, the City did not verify that three contractors were not suspended or debarred from participating in federal programs before paying them \$130,216 in 2022.

We consider this internal control deficiency to be material weaknesses, which led to material noncompliance.

Cause of Condition

City staff said they were aware of the suspension and debarment requirements. Through September 2022, staff thought that including a condition on purchase orders with the contractors was sufficient. However, since the contractors did not sign the purchase orders, this did not qualify as a certification for suspension and debarment purposes. Additionally, the Purchasing Department was responsible for checking SAM.gov for the federal grant purchases; however, the department that made federal grant purchases did not notify the Purchasing Department.

Effect of Condition

Without adequate internal controls over suspension and debarment requirements, the City cannot guarantee it is paying federal funds only to eligible contractors. Additionally, the awarding agency could potentially recover any payments the City

made to an ineligible party. We subsequently verified the contractors were not suspended and debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the City strengthen internal controls to ensure all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs.

City's Response

The City understands the need to comply with federal requirements for suspension and debarment. As such, Staff is taking additional steps to further strengthen its procedures that govern use of federal funds. Staff will seek to ensure that there is a uniform understanding across multiple departments who may have federal funding resources through training and job aids.

Auditor's Remarks

We thank the City for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Government wide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Yakima January 1, 2022 through December 31, 2022

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2021 through December 31, 2021	Report Ref. No.: 1031349	Finding Ref. No.: 2021-001
Finding Caption: The City did not have adequate internal controls over financial statement preparation to ensure accurate reporting.		
Background: We identified the following deficiencies in internal controls over the City's process for preparing the financial statements. When taken together, they represent a material weakness: <ul style="list-style-type: none">• The City did not adequately research accounting requirements in order to properly classify and calculate restricted net position and unearned revenue.• The City does not have a written policy for determining when capital assets should be capitalized and moved from construction in progress into a depreciable asset. The City also does not have a centralized review for verifying that capital assets are capitalized properly and depreciation is calculated correctly.• The City did not adequately research the implementation of Governmental Accounting Standard's Board (GASB) statements to accurately report fiduciary activity, and to report and disclose liabilities related to asset retirement and pollution remediation obligations.• Although the City had procedures for reviewing the financial statements, the review was not detailed enough to detect and correct misstatements.		

Status of Corrective Action: (check one)☐ Fully
Corrected☒ Partially
Corrected☐ Not Corrected☐ Finding is considered no
longer valid**Corrective Action Taken:**

ARPA revenue was incorrectly recorded as deferred inflow, but this has been corrected in future statements.

The City has developed a written policy to determine capitalization threshold versus ongoing projects that remain as construction in progress until project is deemed complete. The finance department has also increased the use of project accounting to facilitate the tracking of costs related to capitalized expenditures.

The City has complied with the reporting requirements to disclose liabilities related to asset retirement and pollution remediation obligations through note disclosures.

The Financial Services Manager has taken a more active role and participation in the review of financial statement preparation including attending all training related to new GASB pronouncements offered through GFOA. The City has increased its investment in providing training to ensure Staff have the resources they need to be successful in the timely and accurately reporting the City's financial reports.

Audit Period: January 1, 2021 through December 31, 2021	Report Reference No.: 1031349	Finding Ref. No.: 2021-002	ALN(s): 14.218
Federal Program Name and Granting Agency: Community Development Block Grants U.S. Department of Housing and Urban Development		Pass-Through Agency Name: N/A	
Finding Caption: The City had inadequate internal controls for ensuring compliance with federal reporting requirements.			
Background: <p>The primary objective of the Community Development Block Grants/Entitlement Grants (CDBG) is to help provide decent and affordable housing, particularly for people with moderate, low and very low incomes. Funds also help recipients implement strategies for achieving an adequate supply of decent housing and providing suitable living environments and expanded economic opportunities for people with low incomes. The City spent \$1,756,476 in CDBG funds during 2021. Of this amount, the City subawarded \$555,070 to three subrecipients.</p> <p>Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls. The Federal Funding Accountability and Transparency Act (FFATA) requires direct recipients that make first-tier subawards of \$30,000 or more to report them Page 10 Office of the Washington State Auditor sao.wa.gov in the FFATA Subaward Reporting System (FSRS). The City has until the end of the month, plus one additional month after the subaward is obligated, to fulfill this reporting requirement.</p> <p>During 2021, the City awarded three subawards totaling \$555,070. All three subawards exceeded the \$30,000 threshold requiring FFATA reporting. Our audit found the City’s internal controls were inadequate for ensuring FFATA reports were submitted and accurate. Specifically, the City incorrectly submitted one FFATA report using the wrong award number, and did not submit FFATA reports for the other two subawards.</p> <p>We consider these deficiencies in internal controls to be a material weakness that led to material noncompliance</p>			

Status of Corrective Action: (check one)☒ Fully
Corrected☐ Partially
Corrected☐ Not Corrected☐ Finding is considered no
longer valid**Corrective Action Taken:**

The Office of Neighborhood Development Services (ONDS) remedied the oversight by filing the appropriate report for all three sub-awards. Instructions related to FFATA data collection are being developed for the staff of ONDS to ensure that the FFATA reporting requirements are done in a timely manner.

Audit Period: January 1, 2021 through December 31, 2021	Report Reference No.: 1031349	Finding Ref. No.: 2021-003	ALN(s): 21.027
Federal Program Name and Granting Agency: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds		Pass-Through Agency Name: N/A	
Finding Caption: The City’s internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment and reporting.			
Background: The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic’s negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2021, the City spent \$3,734,391 in program funds for the provision of government services, public health and supporting the tourism industry. Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls. Recipients are also required to retain documentation for auditing purposes. <i>Suspension and Debarment</i> Federal requirements prohibit grant recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors have not been suspended or debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration’s System for Award Management at SAM.gov. The City must perform this verification before entering into the contract or paying the contractor more than \$25,000, and it must maintain documentation demonstrating compliance with this federal requirement. Our audit found the City’s internal controls were inadequate for ensuring staff verified the suspension and debarment status of contractors for purchases exceeding \$25,000, paid all or in part with federal funds. Specifically, the City did not verify that six of its seven contractors			

were not suspended or debarred from participating in federal programs before paying them \$958,110 in 2021.

Reporting

The City was required to submit a one-time interim report that provided an initial overview of the status and use of its SLFRF assistance. This report disclosed the obligations and expenditures by category and at the summary level from March 3, 2021, to July 31, 2021. The City did not maintain a copy of the report that it submitted.

We consider these internal control deficiencies to be material weaknesses, which led to material noncompliance.

Status of Corrective Action: (check one)

☐ Fully
Corrected

☒ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

The City has taken a proactive approach to ensure that Suspension and Debarment checks is part of the procurement process. This task is now part of a checklist in purchasing coordinated purchases along with logging into SAM.Gov and saving the search history. Additionally, all work related to use of ARPA funds have the 2CFR language in the contract. An e-mail to staff was also sent out to share the guidelines and compliance to checking for suspension and debarment when using federal funds.

Copies of all reports transmitted to Treasury is now being maintained within the shared files in Finance so there is internal record for the City versus relying on a third-party website for access to the report.

INDEPENDENT AUDITOR'S REPORT

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

City of Yakima January 1, 2022 through December 31, 2022

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, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

We noted certain other matters that we have reported to the management of the City in a separate letter dated September 25, 2023.

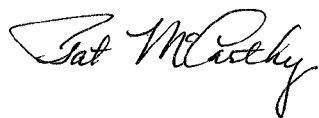
REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2023

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Yakima
January 1, 2022 through December 31, 2022

City Council
City of Yakima
Yakima, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Yakima, with the types of compliance requirements identified as subject to audit 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, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

We also noted certain matters related to compliance that we have reported to the management of the City in a separate letter dated September 25, 2023.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2022-001, that we consider to be a material weakness.

In addition, we noted certain other matters that we have reported to the management of the City in a separate letter dated September 25, 2023.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Yakima January 1, 2022 through December 31, 2022

City Council
City of Yakima
Yakima, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and American Rescue Plan Act (ARPA) funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 supplementary information 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023 on our consideration of the City's internal control over financial reporting and on 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 25, 2023

FINANCIAL SECTION

City of Yakima January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Balance Sheet – Governmental Funds – 2022

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net
Position – 2022

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2022

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities – 2022

Statement of Revenues, Expenditures and Changes in Fund Balances, Budget & Actual –
General Fund – 2022

Statement of Revenues, Expenditures and Changes in Fund Balances, Budget & Actual –
American Rescue Plan Act (ARPA) Fund – 2022

Statement of Net Position – Proprietary Funds – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2022

Statement of Cash Flows – Proprietary Funds – 2022

Statement of Fiduciary Net Position – 2022

Statement of Changes in Fiduciary Net Position – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS, LEOFF 1, and LEOFF 2 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, and LEOFF 2 – 2022

Schedule of Changes in Total Pension Liability and Related Ratios – Fire and Police Pensions – 2022

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Fire, LEOFF 1 Police, and Non-LEOFF – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Annual Comprehensive Financial Report offers readers the City's financial statements for the fiscal year ended December 31, 2022. To best understand the history and activities underlying the City's financial position, readers are encouraged to consider the information in this narrative overview and analysis in conjunction with the accompanying [Letter of Transmittal](#), [Basic Financial Statements](#) and the [Notes to the Financial Statements](#) immediately following.

FINANCIAL HIGHLIGHTS

The City of Yakima is committed to fiscal responsibility by focusing on the fundamentals of city management to navigate economic cycles, infrastructure management challenges, and services that often rely on contingency planning and careful course corrections.

- The 2022 ending fund balance of the General Fund, in aggregate, was \$12.6 million, which represents 18.1% of total General Fund expenditures, compared to an ending fund balance of \$15.3 million, or 21.2%, in 2021. The fund balance of the General Fund is less than prior year mainly due to settlements for the Police (3 years) and Fire (1 year) Collective Bargaining Agreements (CBA's) and investment losses generally attributed to high inflation and interest rate hikes.
- The total assets and deferred outflows of the City of Yakima, government-wide, encompassing all funds, exceeded its liabilities and deferred inflows at December 31, 2022, by \$429.6 million. Net position invested in capital (net of depreciation and related debt) account for 77.6% of this amount, with a value of \$333.2 million.
- The City's total net position increased by \$38.5 million to \$429.6 million from \$390.1 million prior to required error corrections due to various capital asset project adjustments. Funding received for various general revenues decreased by \$1.9 million, while charges for services increased by \$2.5 million. Grant funding for capital projects decreased by \$7.6 million due to the Millsite project delay.

The population of Yakima has grown steadily for 14 decades. The residential and commercial property tax base has increased, both in assessed value and in growth from new construction. Commerce that generates sales tax continues to be a source of regular and steady growth. Local demographics continue to indicate a below-national-average per capita income, consequently, sound fiscal city management is a key economic factor as the City seeks to provide the foundation for citizens, homeowners and businesses to thrive.

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 codes); 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](#) 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 2021, 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 2022.

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 and the American Rescue Plan Act (ARPA), which are considered to be major funds, 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 each major special revenue fund 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 Airport, Stormwater, Transit, Solid Waste (Refuse), Wastewater, Domestic Water, and Irrigation. 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 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 [Statement of Net Position, Proprietary Funds](#) 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. These 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.

[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. These notes 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 totaled \$429.6 million at December 31, 2022. The following table reflects the condensed [Government-Wide Statement of Net Position](#) with comparative totals for 2021.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 134,037,899	\$ 148,139,040	\$ 90,132,046	\$ 90,325,988	\$ 224,169,945	\$ 238,465,028
Net capital assets	207,989,211	208,218,296	187,921,708	169,846,775	395,910,919	378,065,071
Total assets	342,027,110	356,357,336	278,053,754	260,172,763	620,080,864	616,530,099
Deferred outflows	16,862,403	5,468,875	3,551,579	1,287,200	20,413,982	6,756,075
Liabilities						
Payables & other liabilities	49,634,591	37,346,366	12,996,669	8,288,121	62,631,260	45,634,487
Long-term liabilities ¹	100,136,602	114,522,052	20,583,856	22,771,970	120,720,458	137,294,022
Total liabilities	149,771,193	151,868,418	33,580,525	31,060,091	183,351,718	182,928,509
Deferred inflows	17,234,197	42,395,657	10,289,008	10,301,196	27,523,205	52,696,853
Net position						
Net investment in capital assets	164,505,944	160,761,646	168,698,476	147,875,901	333,204,420	308,637,547
Restricted	50,127,098	60,088,871	4,829,846	1,600,000	54,956,944	61,688,871
Unrestricted	(22,748,920)	(50,887,596)	64,207,479	70,622,775	41,458,559	19,735,179
Total net position	\$ 191,884,122	\$ 169,962,921	\$ 237,735,801	\$ 220,098,676	\$ 429,619,923	\$ 390,061,597

The City of Yakima's assets total \$620.1 million as of December 31, 2022. Of this amount, \$395.9 million is accounted for by capital assets, which includes infrastructure and construction in progress. Out of \$208.0 million in capital assets reported in Governmental activities at December 31, 2022, \$91.4 million (43.9%) 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 \$145.0 million was accounted for in cash, cash equivalents, investments, restricted cash and restricted investments, \$37.9 million in various receivables, \$30.5 million in net pension assets and \$1.7 million inventories and prepayments.

At December 31, 2022, the City had outstanding liabilities of \$183.4 million, of which \$120.7 million is long-term, or due beyond one year. There is a deficit in unrestricted net position in the governmental funds indicating the City has long-term commitments that exceed currently-available resources, primarily long-term future citywide pension benefits and other postemployment benefit liabilities. Refer to the [Notes to the Financial Statements](#) for a more in-depth discussion of pension and other long-term liabilities.

The remaining liabilities for the entire City in both governmental and business-type activities total \$62.6 million, and include \$28.3 million in accounts payable, unearned revenue & retainage payable, \$5.9 million in claims and judgments payable, \$12.2 million in accrued salaries and benefits, \$7.5 million in compensated absences accrued and other various liabilities. Also included are debt payments due within the next calendar year totaling \$7.0 million and the current portion of the OPEB liabilities of \$1.8 million

The largest portion of the City's net position (77.6%) 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 assets 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.

¹ Due to an error correction, Governmental Activities beginning balance for 2021 was revised to include HUD Section 108 loan, see Note 2 for further detail.

Currently, 12.8% of the City's net position is subject to external restrictions on how they may be used (restricted by the [Revised Code of Washington](#) or by contractual agreements with parties outside of the primary government).

At December 31, 2022, the City of Yakima's net position is \$429.6 million, of which \$191.9 million represents governmental activities and \$237.7 million represents business-type activities.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 15,158,457	\$ 14,250,973	\$ 55,230,228	\$ 53,687,104	\$ 70,388,685	\$ 67,938,077
Operating grants & contributions	13,067,814	14,913,001	4,418,096	4,463,229	17,485,910	19,376,230
Capital grants & contributions	4,468,732	11,001,704	9,396,790	8,536,598	13,865,522	19,538,302
General revenues						
Property taxes	22,059,758	21,685,915	—	—	22,059,758	21,685,915
Sales and use taxes	27,346,631	26,675,974	7,979,198	7,741,336	35,325,829	34,417,310
Other taxes and fees	28,674,956	26,753,995	—	—	28,674,956	26,753,995
Other revenues	(447,035)	(182,424)	267,788	165,831	(179,247)	(16,593)
Grants/contracts not program restricted	2,016,560	3,734,391	606,041	16,672	2,622,601	3,751,063
Total revenues	112,345,873	118,833,529	77,898,141	74,610,770	190,244,014	193,444,299
Expenditures						
General government	11,227,896	13,217,083	—	—	11,227,896	13,217,083
Public safety	50,674,234	40,846,622	—	—	50,674,234	40,846,622
Utilities	385,439	510,165	—	—	385,439	510,165
Transportation	11,816,286	9,713,634	—	—	11,816,286	9,713,634
Economic environment	5,575,838	12,504,918	—	—	5,575,838	12,504,918
Public health services	524,124	833,876	—	—	524,124	833,876
Cultural and recreational	9,204,596	5,045,980	—	—	9,204,596	5,045,980
Interest on long-term debt	1,650,118	1,761,825	—	—	1,650,118	1,761,825
Transit	—	—	10,589,270	9,165,963	10,589,270	9,165,963
Airport	—	—	3,890,909	3,228,206	3,890,909	3,228,206
Refuse	—	—	8,396,611	7,678,097	8,396,611	7,678,097
Wastewater	—	—	20,750,999	19,375,268	20,750,999	19,375,268
Water	—	—	10,555,977	9,692,431	10,555,977	9,692,431
Irrigation	—	—	2,462,180	2,269,416	2,462,180	2,269,416
Stormwater	—	—	3,310,491	3,305,112	3,310,491	3,305,112
Total Expenditures	91,058,531	84,434,103	59,956,437	54,714,493	151,014,968	139,148,596
Excess (deficiency) before transfers	21,287,342	34,399,426	17,941,704	19,896,277	39,229,046	54,295,703
Transfers	84,448	84,448	(84,448)	(84,448)	—	—
Change in net position	21,371,790	34,483,874	17,857,256	19,811,829	39,229,046	54,295,703
Net position - beginning	169,962,919	135,827,192	220,098,678	200,625,085	390,061,597	336,452,277
Change in accounting principle	—	(348,146)	—	348,146	—	—
Error corrections	549,412	—	(220,130)	(686,382)	329,282	(686,382)
Net position - ending	\$ 191,884,121	\$ 169,962,920	\$ 237,735,804	\$ 220,098,678	\$ 429,619,925	\$ 390,061,598

The Statement of Activities (Changes in Net Position)

The City of Yakima's total net position increased by \$38.5 million over 2021, prior to required error corrections due to various capital asset project adjustments. Net position for governmental activities increased by \$21.9 million, primarily due to increased investments/Pooled Cash due to ARPA, the State Opioid settlement and the allocation of restricted Pension Assets. Net positions in business-type activities increased by \$17.6 million primarily due to rate increases, various capital expenditures and the accounting of GASB 87 Leases.

Total revenues for the City of Yakima were \$190.2 million in 2022. Governmental activities provided \$112.3 million (59.1%), while business-type activities added \$77.9 million (40.9%).

Expenses for the year totaled \$151.0 million, with governmental activities accounting for \$91.1 million or 60.3% and business-type activities accounting for \$60.0 million or 39.7%. Key elements in changes in net position are shown in the Changes in Net Position table.

Governmental Activities - Within governmental activities, tax revenue accounted for 69.5% of total revenue sources, with grants and contributions accounting for 15.6%. The remaining 14.9% of revenue was provided by charges for services, interest income, and miscellaneous revenues.

Total taxes increased by \$3.0 million or 3.9% from \$75.1 million to \$78.1 million.

- Property Taxes increased \$373,843 due to an increase in assessed value and in increase in the Implicit Price Deflator (IPD) subject to a statutory cap of 1% plus new construction.
- Sales Tax and lodging taxes increased by \$670,657 or 2.5% from 2021 due to consumer confidence growing as the nation comes out of the COVID Pandemic and traveling increases.
- Other Taxes and Fees increased by \$1.9 million due to various rate adjustments.

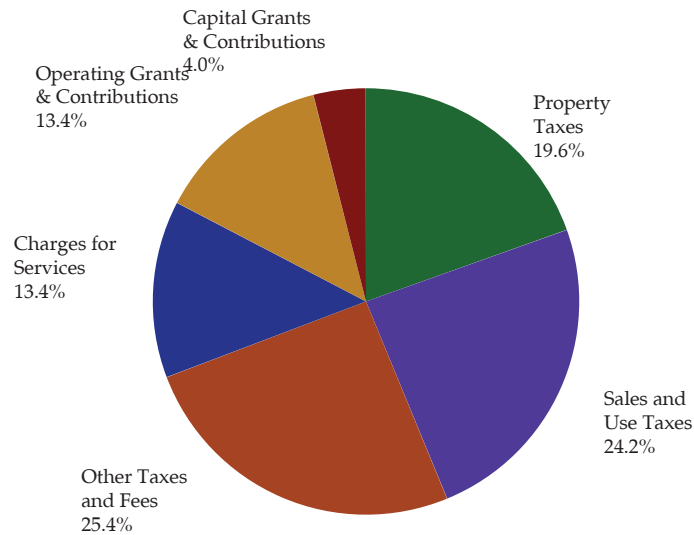
Grants & Contributions decreased by \$8.4 million, primarily due to the delay in construction of the Millsite.

Transfers from Business-Type Activities consists primarily of in-lieu utility taxes of \$9.1 million.

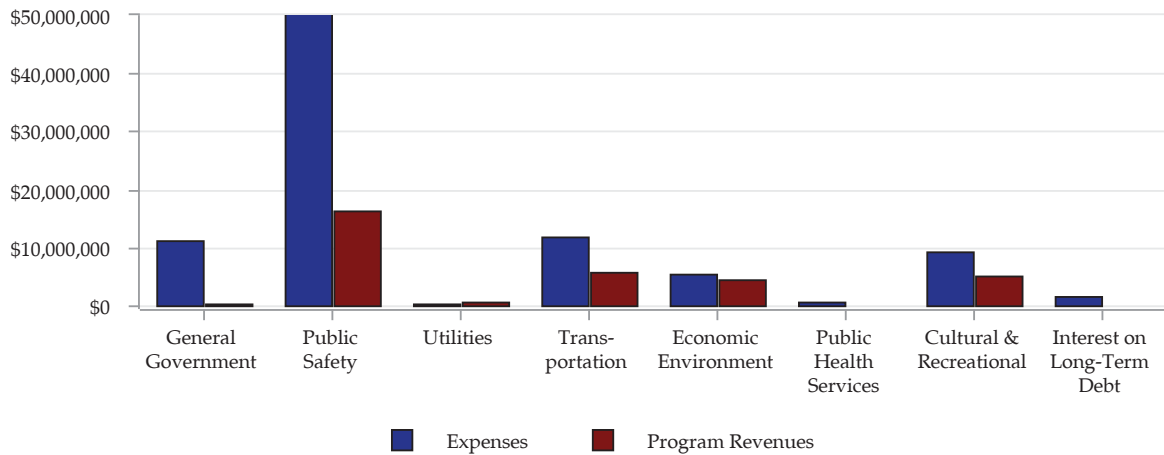
In total, governmental expenses increased \$6.6 million or 7.8%. The increase is due primarily to Pension Assets, settled negotiations with Collective Bargaining Agreements (CBA's) for Police that extended three years and Fire that extended one year and the completion of the Convention Center expansion.

Following are graphs which illustrate revenue by source and expenditures by program for governmental funds in 2022.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES

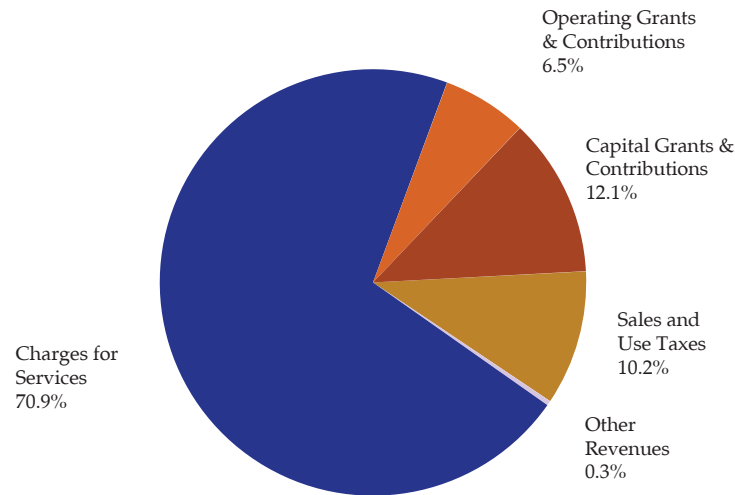


Business-Type Activities - Of the \$77.9 million in business type revenues, 70.9% was provided by charges for services, with the remaining amount provided by grants, contributions, transit sales tax and interest income. Overall, business type revenues demonstrated an increase of \$3,287,371, 4.4% over 2021. General grants and contributions increased to \$606,041 from \$16,672 due to a COVID-19 grant for Utility Services' delinquent accounts.

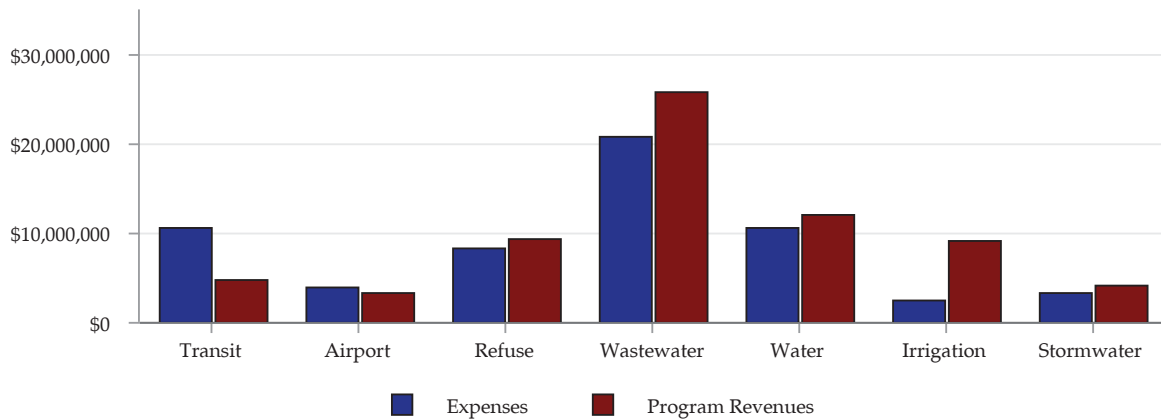
Of the \$60.0 million in business-type expenses, 34.6% are associated with the Wastewater program, while domestic water programs represent about 17.6%, Transit 17.7%, Refuse 14.0%, Stormwater 5.5%, Irrigation 4.1% and Airport 6.5%. Generally, changes in expenses are in line with changes in general operating revenues.

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 (70.9%) of revenue in these funds. The only fund that does not rely heavily on charges for service is the Transit fund, which is funded largely by a voter-approved local option sales tax of 0.3% and a federal operating grant.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Yakima uses fund accounting to ensure compliance with finance-related legal and regulatory requirements. All funds except the General Fund are restricted for specific purposes and uses.

Governmental Funds Analysis

The General Fund is a major fund and the principal mechanism for delivering general government services. The American Rescue Plan Act (ARPA) Fiscal Recovery Fund was established to account for the award and expenditures from this federal funding and meets the criteria required of a major fund presentation for 2022.

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, 2022, the City's governmental funds reported combined fund balances of \$41.3 million. Of this total amount, \$13.7 million (33.2%) is unassigned and available for spending within these funds, \$930,670 is nonspendable (cemetery perpetual care), \$15.1 million is restricted (primarily for transportation, capital improvements, and public safety), \$5.2 million is committed primarily for transportation system improvements and \$6.4 million is assigned primarily for parks and public safety.

The General Fund is the primary operating fund of the City of Yakima, serving all citizens. At the end of the 2022 fiscal year, the fund balance of the General Fund was \$12.6 million, decreasing by \$2.7 million during the current fiscal year due to settled negotiations with Collective Bargaining Agreements with Police and Fire. The fund balance is about 18.1% of total general fund expenditures (which represents about a 2.2 month reserve). The General Fund accounts for 62.5% of all governmental fund revenue and 62.9% of all expenditures, while total assets in the General Fund amounted to \$28.6 million, accounting for 33.8% of total governmental fund assets.

The American Rescue Plan Act (ARPA), a major fund, shows no change to its fund balance.

Enterprise Funds Analysis

Transit, Refuse, Wastewater, Domestic (potable) Water, Irrigation and the Yakima Air Terminal are major funds in the City's Financial Statements, while Stormwater is presented as a nonmajor fund.

As of December 31, 2022, the City's enterprise funds (internal service fund balances are treated entirely as governmental activities) reported combined net position of \$237.7 million, with \$96.6 million, or approximately 40.6%, being contributed by the Wastewater fund. Additionally, about \$168.7 million (71.0%) of net position is accounted for by investment in capital assets, net of related debt, \$1.6 million is restricted for debt service and \$64.2 million is unrestricted. The [Segment Information](#) note presents information that is grouped according to revenue bond requirements for these business type activities.

BUDGETARY ANALYSIS

General Fund budgeted expenditures (without transfers) was increased from \$66.1 million to \$70.8 million in the final budget. Consisting mainly of equipment replacement costs now reflected as expenditures, grants previously unknown and increase to Fire overtime. Actual expenditures totaled \$69.3 million, less than the final budget by \$1.4 million. These expenditure savings resulted from reductions in personnel costs due to vacancies and use of ARPA funds for technology services.

General Fund budgeted revenues increased from \$69.5 million to \$70.5 million in the final budget. Actual revenue results were \$68.7 million, less than the final budget by \$1.8 million, due primarily to the accrual of grants and loss in investments due to adjustment to market value.

The General Fund budget is typically adopted using achievable forecast assumptions and expenditures are managed against budget. Revenue is conservatively estimated and expenditure estimates utilize probable costs. When compared to actuals, there was a net negative change in budgeted fund balance of \$391,324.

Final budget for the fund American Rescue Plan Act (ARPA), a major fund, significantly increased from the original budget as a result of anticipated commitment towards eligible projects. The substantial commitments included the following: \$6.0 million for necessary water and sewer investments for the Mill Site Project; \$1.5 million for the Martin Luther King Jr Pool project; \$1.0 million of technology investments for the General Government; over \$6.0 million of public safety replacement vehicles for Police and Fire; and \$1.0 million of water and sewer investments in various underserved locations of the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Yakima's net investment in capital assets, including construction in progress, for its governmental and business-type activities as of December 31, 2022, amounts to \$395.9 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 decreased \$229,085, decreasing from \$208.2 million in 2021 to \$208.0 million in 2022. This is due primarily to a prior period adjustment reversing depreciation on the Fruitvale Canal Diversion project that was not capitalized from 2012 - 2020.

Business-Type Activities - Business-type capital activities increased by \$18.1 million, attributable primarily to more contributed capital.

CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Capital assets						
Land	\$ 17,512,974	\$ 17,529,399	\$ 10,539,207	\$ 5,504,806	\$ 28,052,181	\$ 23,034,205
Buildings	27,227,406	28,538,782	19,346,587	19,935,640	46,573,993	48,474,422
Improvements other than buildings	28,067,437	28,066,473	116,360,677	121,600,494	144,428,114	149,666,967
Machinery & equipment	18,940,008	17,697,400	10,596,030	12,279,249	29,536,038	29,976,649
Infrastructure	91,384,317	105,800,249	—	—	91,384,317	105,800,249
Intangibles	—	—	474,801	576,272	474,801	576,272
Construction in progress	24,857,069	10,585,992	30,604,406	9,950,313	55,461,475	20,536,305
Total capital assets	<u>\$ 207,989,211</u>	<u>\$ 208,218,295</u>	<u>\$ 187,921,708</u>	<u>\$ 169,846,774</u>	<u>\$ 395,910,919</u>	<u>\$ 378,065,069</u>

Additional information on the City of Yakima's capital assets can be found in the [Capital Assets](#) note.

Long-Term Debt Administration

On December 31, 2022, the City of Yakima had total bonded debt outstanding of \$41.5 million. Of this amount, \$35.6 million is classified as governmental activity and backed by the full faith and credit of the City. The remaining \$5.9 million represents bonds secured solely by pledges of specific revenue sources (i.e. revenue bonds).

The City's remaining capacity for non-voted debt on December 31, 2022, was approximately \$101.3 million in comparison to the total legal debt limit of \$131.8 million. In March, 2020 the City's rating of "A+" from Standard & Poor's for general obligation debt was upgraded to an outlook of stable. This upgrade is the result of strong financial management policies and practices, a formal investment policy that exceeds the state requirement and a reserve policy that is in-line with the best practices of the Government Finance Officers Association. More detailed information on the City's long-term obligations can be found in the [Long-Term Debt](#) note. A summary of the City's debt follows.

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 35,628,615	\$ 38,839,069	\$ —	\$ —	\$ 35,628,615	\$ 38,839,069
Revenue bonds	—	—	5,918,276	7,614,288	5,918,276	7,614,288
Intergovernmental loans	4,936,361	5,446,612	12,724,475	14,212,648	17,660,836	19,659,260
Other debt	2,566,415	2,890,193	—	—	2,566,415	2,890,193
Total outstanding debt	<u>\$ 43,131,391</u>	<u>\$ 47,175,874</u>	<u>\$ 18,642,751</u>	<u>\$ 21,826,936</u>	<u>\$ 61,774,142</u>	<u>\$ 69,002,810</u>

ECONOMIC FACTORS

There are many factors that impact City revenues and expenses. The City is committed to the continued pursuit and application of sound fiscal management practices to ensure balanced budgets are maintained and critical core services are prioritized in the budget.

- **Property Tax Rate Cap.** In 2001 state voters approved Initiative 747, which capped property tax levy growth each year at a maximum of 1%, excluding additions for annexations and new construction. This initiative restricted local government revenue growth, which makes budget balancing difficult because costs driven by actual inflation rates have grown in extreme excess of the 1% limitation in the last two years. Property tax receipts rose marginally compared to the prior year, and property valuation in Yakima is not expected to be negatively impacted by the pandemic in future years.
- **Revenues.** During 2020, and into 2021, lodging tax revenues tied to tourism were negatively impacted, as were Gambling Taxes, fire inspection fees, interest on investments and fees on building permits, due to the COVID-19 pandemic. Airport and transit revenues were also affected, however Federal programs provided assistance. By the end of 2022, all revenues, with the exception of fire inspection fees have returned to about pre-COVID levels.
- **Local Employment.** The unemployment rate (6.1% for 2022) in the County continues to be higher than the state (4.0% for 2022) and national average (3.6% for 2022). The County's predominant industry is agriculture and related support, which has a history of high unemployment rates, seasonal employment, and low median household income. Between 2022 and 2021, the Yakima County civilian labor force gained about 2,100 jobs, showing an increase in total employment.
- **Economic Redevelopment.** The city embarked on a major economic development initiative using 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 \$1.0 million per year for 25 years, commencing in 2011, to support required infrastructure improvements to serve the new mixed use proposed development. This project requires coordination with Yakima County, the State Department of Transportation, and current landowners.
- **Federal funding from the Coronavirus State and Local Fiscal Recovery Funds**, part of the American Rescue Plan Act (ARPA), have provided the City an opportunity to meet basic financial obligations and it will help the City enhance our services to the community. In 2022, ARPA funds enabled the City to replace 57 police patrol vehicles, two fire engines, \$1.5 million towards an east side pool project and various investments in new technology for City operations.
- **Tourism.** The 2020 Convention & Event Center expansion of 18,000 sq. ft., which added approximately 10,000 sq. ft. of net rentable space to the existing 41,000 sq. ft. capacity, is now the 11th largest in the State. Debt service for this expansion will continue until 2044.
- In August 2013, members of the community approved a ballot measure to establish a fund dedicated to street overlay and reconstruction. The City's General Fund Budget provides contributions towards this purpose totaling \$2 million per year adjusted annually by consumer price index (CPI). These funds have been used to pay annual debt service payment towards the 2014 Street Improvement project (ending in 2024) and the 2018 Street Resurfacing project (ending in 2028).
- In 2015, City voters approved a Charter amendment to designate \$750,000 annually to a Parks Capital program. The amount grows annually with the consumer price index, and services a portion of the debt on two development projects: a multipurpose sports complex which opened in 2016 (SOZO - ending in 2035), and a new aquatic center which opened in 2019 (ending in 2042).

The 2023 budget is balanced for all funds, within guidelines established by city management, to accomplish municipal service levels and priorities set by City Council. For the 2023 budget, the major revenues were estimated assuming the continued growth of residential and commercial property valuations and with a cautious eye on the local economy's continued growth. The City Council's budget priorities are aligned around the strategic priorities of public safety; fiscal sustainability; housing; strengthening partnerships; and investment in infrastructure.

REQUESTS FOR INFORMATION

This report, along with other City financial documents, is posted on the [City of Yakima's Finance website](#).

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, 2022

Page 1 of 2

	Governmental Activities	Business-Type Activities	Primary Gov't Total
Assets			
Current assets			
Cash and cash equivalents	\$ 39,655,362	\$ 34,592,191	\$ 74,247,553
Cash with fiscal agent	241,407	14,652	256,059
Investments	19,555,317	28,220,962	47,776,279
Restricted Assets			
Cash	11,869,235	—	11,869,235
Investments	9,229,644	—	9,229,644
Receivables, net allowance for uncollectible accounts			
Taxes	7,755,889	1,355,847	9,111,736
Accounts	4,115,528	5,299,036	9,414,564
Notes and contracts receivable	2,037,128	398,759	2,435,887
Due from other governments	5,851,524	3,942,043	9,793,567
Due from other funds	—	4,617,487	4,617,487
Interest receivable	175,243	—	175,243
Other receivables	2,146,415	—	2,146,415
Lease receivables	—	253,952	253,952
Inventories and prepayments	940,490	738,874	1,679,364
Total current assets	103,573,182	79,433,803	183,006,985
Noncurrent assets			
Restricted cash	—	1,600,000	1,600,000
Lease receivable	—	5,757,136	5,757,136
Capital assets not being depreciated			
Land	17,512,974	10,539,207	28,052,181
Construction in progress	24,857,069	30,604,406	55,461,475
Capital assets, net of accumulated depreciation			
Buildings	27,227,406	19,346,587	46,573,993
Machinery, equipment & vehicles	18,940,008	10,596,030	29,536,038
Infrastructure	91,384,317	—	91,384,317
Other improvements & utility systems	28,067,437	116,360,677	144,428,114
Intangibles	—	474,801	474,801
Other noncurrent assets			
Net pension asset	30,464,717	3,341,106	33,805,823
Total noncurrent assets	238,453,928	198,619,950	437,073,878
Total assets	342,027,110	278,053,753	620,080,863
Deferred outflows of resources			
Deferred amount on refunding	—	142,607	142,607
Deferred outflows related to pension	16,560,272	3,307,453	19,867,725
Deferred outflows related to OPEB	302,131	101,519	403,650
Total deferred outflows of resources	16,862,403	3,551,579	20,413,982
Total assets & deferred outflows of resources	358,889,513	281,605,332	640,494,845

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, 2022

Page 2 of 2

	Governmental Activities	Business-Type Activities	Primary Gov't Total
Liabilities			
Current liabilities			
Accounts payable	3,420,884	2,994,275	6,415,159
Unearned revenue	20,794,746	—	20,794,746
Retainage payable	351,876	723,089	1,074,965
Claims & judgments payable	5,852,170	—	5,852,170
Accrued salaries and benefits	10,534,347	1,672,514	12,206,861
Compensated absences	795,548	179,454	975,002
Deposit type accounts	495,350	775,552	1,270,902
Due to other governments	189,637	15,544	205,181
Due to other funds	1,317,796	3,299,691	4,617,487
Other liabilities	75,401	20,727	96,128
Interest payable	204,259	88,956	293,215
Debt principal due within one year	3,876,901	3,134,640	7,011,541
Total other postemployment benefits - current	1,725,675	92,226	1,817,901
Total current liabilities	49,634,590	12,996,668	62,631,258
Noncurrent liabilities			
Compensated absences	8,176,494	1,656,456	9,832,950
Net pension liability	11,663,817	2,006,981	13,670,798
Total other postemployment benefits (OPEB)	38,895,386	1,412,308	40,307,694
Debt principal due more than one year	39,254,490	15,508,111	54,762,601
Other noncurrent liabilities	2,146,415	—	2,146,415
Total noncurrent liabilities	100,136,602	20,583,856	120,720,458
Total liabilities	149,771,192	33,580,524	183,351,716
Deferred inflows of resources			
Deferred inflows related to pension	14,829,090	3,522,903	18,351,993
Deferred inflows related to OPEB	2,405,107	808,140	3,213,247
Deferred inflows related to leases	—	5,957,965	5,957,965
Total deferred inflows of resources	17,234,197	10,289,008	27,523,205
Total liabilities & deferred inflows of resources	167,005,389	43,869,532	210,874,921
Net position			
Net investment in capital assets	164,505,944	168,698,476	333,204,420
Restricted for:			
Public safety & emergency programs	2,776,222	—	2,776,222
Housing & economic development	1,204,804	—	1,204,804
Debt service	240,767	1,600,000	1,840,767
Capital improvements	10,664,791	—	10,664,791
Tourism & conventions	2,855,643	—	2,855,643
Pension plans	32,384,871	3,229,846	35,614,717
Unrestricted	(22,748,920)	64,207,479	41,458,559
Total net position	\$ 191,884,122	\$ 237,735,801	\$ 429,619,923

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, 2022

Page 1 of 1

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants & Contributions		Government Activities	Business Activities	Primary Gov't Total
			Operating	Capital			
Governmental activities							
General government	\$ 11,227,896	\$ 262,476	\$ —	\$ —	\$ (10,965,420)	\$ —	\$ (10,965,420)
Public safety	50,674,234	8,152,239	8,215,790	—	(34,306,205)	—	(34,306,205)
Customer Services	385,439	582,109	—	—	196,670	—	196,670
Transportation	11,816,286	47,067	1,288,906	4,463,059	(6,017,254)	—	(6,017,254)
Economic environment	5,575,838	1,257,207	3,113,768	5,673	(1,199,190)	—	(1,199,190)
Public health services	524,124	—	6,738	—	(517,386)	—	(517,386)
Cultural and recreational	9,204,596	4,857,359	442,612	—	(3,904,625)	—	(3,904,625)
Interest on long-term debt	1,650,118	—	—	—	(1,650,118)	—	(1,650,118)
Total governmental activities	91,058,531	15,158,457	13,067,814	4,468,732	(58,363,528)	—	(58,363,528)
Business-type activities							
Transit	10,589,270	731,911	4,109,289	—	—	(5,748,070)	(5,748,070)
Airport	3,890,909	1,134,718	308,807	1,915,690	—	(531,694)	(531,694)
Refuse	8,396,611	9,373,341	—	—	—	976,730	976,730
Wastewater	20,750,999	24,688,698	—	1,223,756	—	5,161,455	5,161,455
Water	10,555,977	11,668,496	—	503,240	—	1,615,759	1,615,759
Irrigation	2,462,180	3,543,234	—	5,715,800	—	6,796,854	6,796,854
Stormwater	3,310,491	4,089,831	—	38,304	—	817,644	817,644
Total business-type activities	59,956,437	55,230,229	4,418,096	9,396,790	—	9,088,678	9,088,678
Total activities	\$ 151,014,968	\$ 70,388,686	\$ 17,485,910	\$ 13,865,522	(58,363,528)	9,088,678	(49,274,850)
General revenues and transfers							
Taxes							
Property taxes					22,059,758	—	22,059,758
Sales and use taxes					27,346,631	7,979,198	35,325,829
Other taxes and fees					28,674,956	—	28,674,956
Unrestricted investment earnings					(602,716)	27,962	(574,754)
Interest on rents & leases					—	129,010	129,010
Miscellaneous					175,662	45,340	221,002
Grants and contributions not restricted to specific programs					2,016,560	606,041	2,622,601
Gain (loss) on disposition of capital assets					(19,982)	65,475	45,493
Transfers					84,448	(84,448)	—
Total general revenues, special items & transfers					79,735,317	8,768,578	88,503,895
Change in net position					21,371,789	17,857,256	39,229,045
Net position - beginning					169,962,918	220,098,681	390,061,599
Error corrections					549,412	(220,130)	329,282
Net position - ending					\$ 191,884,119	\$ 237,735,807	\$ 429,619,926

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, 2022

Page 1 of 1

	General Fund	ARPA Fund	Other Gov't Funds	Total Gov't Funds
Assets				
Cash and cash equivalents	\$ 8,126,644	\$ 11,869,235	\$ 21,074,251	\$ 41,070,130
Cash with fiscal agent	43,923	—	197,484	241,407
Investments	6,643,960	9,229,644	6,755,363	22,628,967
Receivables, net allowance for uncollectible accounts				
Taxes	6,795,731	—	960,159	7,755,890
Accounts	2,419,173	—	506,917	2,926,090
Notes and contracts receivable	28,316	—	2,008,812	2,037,128
Due from other governments	2,230,748	—	3,316,747	5,547,495
Interest receivable	175,243	—	—	175,243
Other receivables	2,146,415	—	—	2,146,415
Inventories and prepayments	10,100	—	191,461	201,561
Total assets	28,620,253	21,098,879	35,011,194	84,730,326
Deferred outflows of resources	—	—	—	—
Total assets & deferred outflows of resources	\$ 28,620,253	\$ 21,098,879	\$ 35,011,194	\$ 84,730,326
Liabilities				
Accounts payable	\$ 1,373,241	\$ 236,433	\$ 1,475,487	\$ 3,085,161
Unearned revenue	—	20,794,746	—	20,794,746
Retainage payable	4,299	—	347,577	351,876
Accrued salaries and benefits	9,035,630	—	1,127,352	10,162,982
Deposit type accounts	114,956	—	53,090	168,046
Due to other governments	167,194	—	22,219	189,413
Due to other funds	—	—	1,317,796	1,317,796
Other liabilities	2,216,798	—	—	2,216,798
Total liabilities	12,912,118	21,031,179	4,343,521	38,286,818
Deferred inflows of resources				
Deferred unavailable revenue/taxes	429,197	—	39,422	468,619
Unavailable revenue and notes	2,699,050	—	2,021,725	4,720,775
Total deferred inflows of resources	3,128,247	—	2,061,147	5,189,394
Total liabilities & deferred inflows of resources	16,040,365	21,031,179	6,404,668	43,476,212
Fund balance				
Nonspendable	10,100	—	920,570	930,670
Restricted	—	67,700	15,005,227	15,072,927
Committed	1,587,704	—	3,565,472	5,153,176
Assigned	—	—	6,395,883	6,395,883
Unassigned	10,982,085	—	2,719,374	13,701,459
Total fund balance	12,579,889	67,700	28,606,526	41,254,115
Total liabilities, deferred inflows & fund balances	\$ 28,620,254	\$ 21,098,879	\$ 35,011,194	\$ 84,730,327

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

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

December 31, 2022

Page 1 of 1

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

Total fund balances - governmental funds (previous page)	\$ 41,254,114
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	195,745,173
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	5,189,394
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.	23,519,088
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(51,905,313)
Pension and other postemployment benefits are not due and payable in the current period and therefore are not reflected in the funds.	(21,918,334)
Net position of governmental activities	<u><u>\$ 191,884,122</u></u>

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

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

For the Year Ended December 31, 2022

Page 1 of 1

	General Fund	ARPA Fund	Other Gov't Funds	Total Gov't Funds
Revenues				
Taxes and assessments	\$ 58,572,858	\$ —	\$ 24,316,143	\$ 82,889,001
Licenses and permits	1,883,149	—	607,722	2,490,871
Intergovernmental revenues	3,838,370	1,666,342	7,758,326	13,263,038
Charges for services	3,601,960	—	5,201,746	8,803,706
Fines and forfeitures	1,234,274	—	—	1,234,274
Contributions and donations	44,087	—	14,684	58,771
Investment earnings	(573,295)	—	18,959	(554,336)
Other revenue	146,851	—	1,580,467	1,727,318
Total revenues	68,748,254	1,666,342	39,498,047	109,912,643
Expenditures				
Current				
General government	12,102,386	315,603	708,984	13,126,973
Public safety	53,706,004	—	6,514,776	60,220,780
Utilities	—	—	386,377	386,377
Transportation	848,902	—	5,817,703	6,666,605
Economic environment	1,647,786	—	3,867,857	5,515,643
Public health services	36,029	—	562,232	598,261
Cultural and recreational	—	—	7,597,890	7,597,890
Capital outlay				
General government	198,089	—	2,156,019	2,354,108
Public safety	578,852	1,294,963	100,902	1,974,717
Utilities	—	—	40,721	40,721
Transportation	—	—	5,015,171	5,015,171
Economic environment	—	55,776	—	55,776
Cultural and recreational	—	—	997,414	997,414
Debt service				
Principal	175,163	—	3,692,415	3,867,578
Interest and related charges	31,227	—	1,795,954	1,827,181
Total Expenditures	69,324,438	1,666,342	39,254,415	110,245,195
Excess (def) of revenue over (under) expenditure	(576,184)	—	243,632	(332,552)
Other financing (sources) uses				
Transfers in	—	—	5,582,862	5,582,862
Transfers out	(2,117,878)	—	(3,380,536)	(5,498,414)
Sale of capital assets	—	—	100,042	100,042
Total other financing sources (uses)	(2,117,878)	—	2,302,368	184,490
Net change in fund balance	(2,694,062)	—	2,546,000	(148,062)
Fund balance - beginning	15,273,948	67,700	26,060,524	41,402,172
Fund balance - ending	\$ 12,579,886	\$ 67,700	\$ 28,606,524	\$ 41,254,110

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

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

For the Year Ended December 31, 2022

Page 1 of 1

Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	\$ (148,061)
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 depreciation exceeded capital outlays in the current period.	(1,835,383)
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.	600,047
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,733,141
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.	4,044,086
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).	12,776,516
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.	4,201,444
Change in net position, as reflected on the Statement of Activities	<u>\$ 21,371,790</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL - GENERAL FUND

For the Year Ended December 31, 2022

Page 1 of 1

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues				
Taxes and assessments	\$ 57,687,824	\$ 57,687,824	\$ 58,572,858	\$ 885,034
Licenses and permits	1,803,700	1,803,700	1,883,149	79,449
Intergovernmental revenues	3,036,413	4,087,433	3,838,370	(249,063)
Charges for services	4,342,504	4,342,504	3,601,960	(740,544)
Fines and forfeitures	1,422,000	1,422,000	1,234,274	(187,726)
Contributions and donations	—	16,500	44,087	27,587
Investment earnings	1,102,900	1,102,900	(573,295)	(1,676,195)
Other revenue	74,037	81,664	146,851	65,187
Total revenues	69,469,378	70,544,525	68,748,254	(1,796,271)
Expenditures				
Current				
General government	13,318,452	13,667,126	12,102,386	1,564,740
Public safety	49,569,281	53,585,775	53,706,004	(120,229)
Transportation	983,677	983,677	848,902	134,775
Economic environment	1,892,656	1,995,906	1,647,786	348,120
Public health services	—	30,000	36,029	(6,029)
Capital outlay				
General government	100,000	272,224	198,089	74,135
Public safety	—	25,460	578,852	(553,392)
Transportation	4,000	4,000	—	4,000
Debt service				
Principal	175,163	175,163	175,163	—
Interest and related charges	31,227	31,227	31,227	—
Total Expenditures	66,074,456	70,770,558	69,324,438	1,446,120
Excess (deficiency) of revenue over (under) expenditure	3,394,922	(226,033)	(576,184)	(350,151)
Other financing (sources) uses				
Transfers out	(3,876,705)	(2,076,705)	(2,117,878)	(41,173)
Net change in fund balance	(481,783)	(2,302,738)	(2,694,062)	(391,324)
Fund balance - beginning	13,651,294	15,273,951	15,273,948	(3)
Fund balance - ending	\$ 13,169,511	\$ 12,971,213	\$ 12,579,886	\$ (391,327)

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL - AMERICAN RESCUE PLAN ACT (ARPA)**

For the Year Ended December 31, 2022

Page 1 of 1

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Budget
Revenues				
Intergovernmental revenues	\$ 13,000,000	\$ 26,097,740	\$ 1,666,342	\$ (24,431,398)
Total revenues	13,000,000	26,097,740	1,666,342	(24,431,398)
Expenditures				
Current				
General government	361,507	918,590	315,603	602,987
Public health services	—	1,500,000	—	1,500,000
Capital outlay				
Public safety	1,200,000	6,270,885	1,294,963	4,975,922
Utilities	1,000,000	2,000,000	—	2,000,000
Transportation	—	6,000,000	—	(6,000,000)
Economic environment	—	—	55,776	55,776
Cultural and recreational	—	1,500,000	—	(1,500,000)
Total Expenditures	2,561,507	18,189,475	1,666,342	1,634,685
Excess (deficiency) of revenue over (under) expenditure	10,438,493	7,908,265	—	(7,908,265)
Net change in fund balance	10,438,493	7,908,265	—	(7,908,265)
Fund balance - beginning	4,188,076	67,700	67,700	—
Fund balance - ending	\$ 14,626,569	\$ 7,975,965	\$ 67,700	\$ (7,908,265)

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, 2022

Page 1 of 4

	Business-Type Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Assets				
Current Assets				
Cash and cash equivalents	\$ 952,268	\$ 5,727,657	\$ 2,086,810	\$ 17,164,483
Cash with fiscal agent	—	—	—	—
Investments	740,494	4,453,887	1,700,876	14,591,229
Receivables, net allowance for uncollectible accounts				
Taxes	—	1,354,516	—	—
Accounts	66,440	22,399	1,049,666	2,874,426
Notes and contracts receivable	—	—	—	—
Due from other governments	126,932	3,810,934	—	4,177
Due from other funds	—	—	—	439,463
Lease Receivables	122,810	131,143	—	—
Inventories and prepayments	—	—	—	—
Total current assets	2,008,944	15,500,536	4,837,352	35,073,778
Noncurrent assets				
Restricted cash	—	—	—	1,600,000
Lease Receivable	5,211,764	545,373	—	—
Capital assets not being depreciated				
Land	3,418,797	6,217,391	—	643,757
Construction in progress	2,259,293	64,199	—	2,323,793
Capital assets, net of accumulated depreciation				
Buildings	49,873	2,289,089	—	13,413,208
Machinery, equipment & vehicles	2,803,083	2,504,076	7,791	5,145,244
Other improve & utility systems	12,846,172	1,056,575	—	49,052,818
Intangibles	338,143	—	—	—
Other noncurrent assets				
Net pension asset	176,578	782,687	371,163	1,060,820
Total noncurrent assets	27,103,703	13,459,390	378,954	73,239,640
Total assets	29,112,647	28,959,926	5,216,306	108,313,418
Deferred outflows of resources				
Deferred amount on refunding	—	—	—	63,818
Deferred outflows related to pension	174,799	774,803	367,424	1,050,134
Deferred outflows related to OPEB	4,823	24,680	10,834	31,170
Total deferred outflows of resources	179,622	799,483	378,258	1,145,122
Total assets & deferred outflows	29,292,269	29,759,409	5,594,564	109,458,540

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, 2022

Page 2 of 4

Business-Type Activities				Gov't Activities
Major Funds		Other	Total	Internal
Water	Irrigation	Enterprise Funds	Enterprise Funds	Service Funds
\$ 3,005,151	\$ 2,404,310	\$ 3,251,512	\$ 34,592,191	\$ 10,454,468
—	—	14,652	14,652	—
2,336,449	1,869,617	2,528,410	28,220,962	6,155,994
—	—	1,331	1,355,847	—
818,240	467,509	357	5,299,036	1,189,438
—	—	398,759	398,759	—
—	—	—	3,942,043	304,029
3,739,155	—	438,870	4,617,487	—
—	—	—	253,952	—
738,874	—	—	738,874	738,929
10,637,869	4,741,436	6,633,891	79,433,803	18,842,858
—	—	—	1,600,000	—
—	—	—	5,757,136	—
167,862	91,400	—	10,539,207	—
4,133,336	21,632,064	191,721	30,604,406	—
3,371,200	223,217	—	19,346,587	292,686
128,449	—	7,386	10,596,030	11,558,388
32,677,818	14,509,886	6,217,407	116,360,677	392,964
136,659	—	—	474,801	—
593,605	160,465	195,789	3,341,106	839,789
41,208,929	36,617,032	6,612,303	198,619,950	13,083,827
51,846,798	41,358,468	13,246,194	278,053,753	31,926,685
—	78,789	—	142,607	—
587,626	158,849	193,817	3,307,453	831,330
18,548	4,680	6,784	101,519	25,472
606,174	242,318	200,601	3,551,579	856,802
52,452,972	41,600,786	13,446,795	281,605,332	32,783,487

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, 2022

Page 3 of 4

	Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Liabilities				
Current liabilities				
Accounts payable	57,577	663,984	96,791	444,274
Retainage payable	—	—	—	86,830
Claims & judgments payable	—	—	—	—
Accrued salaries and benefits	76,850	432,597	189,980	485,468
Compensated absences	4,080	41,389	23,189	55,462
Deposit type accounts	39,034	—	197,056	406,099
Due to other governments	11,382	226	4	2,291
Due to other funds	—	—	—	—
Other liabilities	—	—	444	2,170
Interest payable	—	—	—	29,306
Debt principal due within one year	—	—	—	2,101,245
Total other postemployment benefits - current	4,381	22,421	9,842	28,317
Total current liabilities	193,304	1,160,617	517,306	3,641,462
Noncurrent liabilities				
Compensated absences	40,288	360,396	203,654	513,048
Net pension liability	106,069	470,155	222,955	637,227
Total other postemployment benefits (OPEB)	67,095	343,349	150,717	433,630
Debt principal due more than one year	—	—	—	6,288,553
Total noncurrent liabilities	213,452	1,173,900	577,326	7,872,458
Total liabilities	406,756	2,334,517	1,094,632	11,513,920
Deferred inflows of resources				
Deferred inflows related to pension	186,186	825,275	391,358	1,118,541
Deferred inflows related to OPEB	38,393	196,469	86,242	248,128
Deferred inflows related to leases	5,278,186	679,779	—	—
Total deferred inflows of resources	5,502,765	1,701,523	477,600	1,366,669
Total liabilities & deferred inflows	5,909,521	4,036,040	1,572,232	12,880,589
Net position				
Net investment in capital assets	21,715,361	12,131,330	7,791	62,166,011
Restricted for:				
Debt service	—	—	—	1,600,000
Pension plans	170,698	756,623	358,803	1,025,494
Unrestricted	1,496,689	12,835,417	3,655,737	31,786,445
Total net position	\$ 23,382,748	\$ 25,723,370	\$ 4,022,331	\$ 96,577,950

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, 2022

Page 4 of 4

Business-Type Activities				Gov't Activities
Major Funds		Other	Total	Internal
Water	Irrigation	Enterprise Funds	Enterprise Funds	Service Funds
548,874	1,165,776	17,000	2,994,275	335,724
82,570	553,690	—	723,089	—
—	—	—	—	5,852,170
314,882	70,185	102,551	1,672,514	371,365
33,633	9,270	12,432	179,454	41,213
133,348	14	—	775,552	327,304
773	224	644	15,544	224
—	3,299,691	—	3,299,691	—
18,113	—	—	20,727	5,018
25,553	34,097	—	88,956	—
838,395	195,000	—	3,134,640	—
16,850	4,252	6,163	92,226	23,141
2,012,991	5,332,199	138,790	12,996,668	6,956,159
326,638	81,927	130,505	1,656,456	361,166
356,575	96,390	117,609	2,006,981	504,456
258,033	65,110	94,374	1,412,308	354,363
6,546,256	2,673,301	—	15,508,111	—
7,487,502	2,916,728	342,488	20,583,856	1,219,985
9,500,493	8,248,927	481,278	33,580,524	8,176,144
625,904	169,196	206,443	3,522,903	885,483
147,649	37,257	54,002	808,140	202,769
—	—	—	5,957,965	—
773,553	206,453	260,445	10,289,008	1,088,252
10,274,046	8,455,380	741,723	43,869,532	9,264,396
33,148,103	33,113,366	6,416,514	168,698,476	12,244,037
—	—	—	1,600,000	—
573,838	155,121	189,269	3,229,846	811,824
8,456,984	(123,081)	6,099,289	64,207,479	10,463,227
\$ 42,178,925	\$ 33,145,406	\$ 12,705,072	\$ 237,735,801	\$ 23,519,088

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, 2022

Page 1 of 2

	Business-Type Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Operating revenues				
Charges and fees for services	\$ 338,952	\$ 458,142	\$ 9,373,341	\$ 24,668,251
Charges for insurance	—	—	—	—
Employer premium payments	—	—	—	—
Employee premium payments	—	—	—	—
Rents and leases	768,701	156,307	—	—
Special assessments	—	116,000	—	—
Other operating revenue	27,065	1,462	—	20,446
Total operating revenues	1,134,718	731,911	9,373,341	24,688,697
Operating expenses				
Personnel services	715,196	4,149,746	1,708,455	4,812,063
Materials and supplies	172,958	1,020,116	580,471	1,248,304
Contractual services	643,234	4,554,092	6,106,819	10,033,353
Claims and other benefits	—	—	—	—
Depreciation	2,359,522	865,316	866	4,523,732
Total operating expense	3,890,910	10,589,270	8,396,611	20,617,452
Operating income (loss)	(2,756,192)	(9,857,359)	976,730	4,071,245
Nonoperating revenues (expense)				
Grants and subsidies	2,830,538	12,088,487	—	4,177
Interest revenue	535	9,423	—	6,005
Other nonoperating revenue	147	11,917	713	18,894
Interest on rents & leases	124,253	4,757	—	—
Interest & other debt service costs	—	—	—	(133,548)
Gain (loss) disposal of capital assets	—	53,540	—	—
Total nonoperating revenue (exp)	2,955,473	12,168,124	713	(104,472)
Income (loss) before contributions & transfers	199,281	2,310,765	977,443	3,966,773
Capital contributions	—	—	—	1,219,579
Transfers (out)	—	—	—	(84,448)
Change in net position	199,281	2,310,765	977,443	5,101,904
Net position - beginning	23,416,811	23,412,605	3,044,888	91,462,831
Error corrections	(233,344)	—	—	13,214
Net position - ending	\$ 23,382,748	\$ 25,723,370	\$ 4,022,331	\$ 96,577,949

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, 2022

Page 2 of 2

Business-Type Activities				Gov't
Major Funds		Other	Total	Internal
Water	Irrigation	Enterprise Funds	Enterprise Funds	Service Funds
\$ 11,664,446	\$ 3,542,950	\$ 4,089,831	\$ 54,135,914	\$ 6,779,699
—	—	—	—	10,213,274
—	—	—	—	14,230,460
—	—	—	—	2,189,022
—	—	—	925,008	—
—	—	—	116,000	—
4,050	283	—	53,306	856
<u>11,668,496</u>	<u>3,543,233</u>	<u>4,089,831</u>	<u>55,230,228</u>	<u>33,413,311</u>
2,840,118	709,050	1,051,337	15,985,965	3,771,754
572,004	81,059	52,046	3,726,958	1,740,429
5,083,339	1,029,559	1,866,671	29,317,067	10,419,220
—	—	—	—	13,261,354
1,991,677	527,753	340,436	10,609,302	1,665,130
<u>10,487,138</u>	<u>2,347,421</u>	<u>3,310,490</u>	<u>59,639,292</u>	<u>30,857,887</u>
1,181,358	1,195,812	779,341	(4,409,064)	2,555,424
—	5,715,800	—	20,639,002	829,990
6,005	—	5,994	27,962	—
13,669	—	—	45,340	639,629
—	—	—	129,010	—
(68,839)	(114,758)	—	(317,145)	—
11,935	—	—	65,475	176,400
<u>(37,230)</u>	<u>5,601,042</u>	<u>5,994</u>	<u>20,589,644</u>	<u>1,646,019</u>
1,144,128	6,796,854	785,335	16,180,580	4,201,443
503,240	—	38,304	1,761,123	—
—	—	—	(84,448)	—
<u>1,647,368</u>	<u>6,796,854</u>	<u>823,639</u>	<u>17,857,255</u>	<u>4,201,443</u>
40,531,557	26,348,552	11,881,433	220,098,680	19,317,644
—	—	—	(220,130)	—
<u>\$ 42,178,925</u>	<u>\$ 33,145,406</u>	<u>\$ 12,705,072</u>	<u>\$ 237,735,805</u>	<u>\$ 23,519,087</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, 2022

Page 1 of 4

	Business-Type Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Cash flows from operating activities				
Receipts from customers	\$ 1,247,263	\$ 343,697	\$ 9,563,446	\$ 27,142,907
Contributions rec'd employer & employee	—	—	—	—
Payments to suppliers & service providers	(812,783)	(4,444,421)	(6,699,262)	(11,496,886)
Payments to employees salaries & benefits	(848,079)	(4,441,825)	(1,873,453)	(5,271,324)
Other Operating Revenues	27,065	1,462	—	20,446
Payments to claimants & beneficiaries	—	—	—	—
Net cash flows from operating activities	(386,534)	(8,541,087)	990,731	10,395,143
Cash from noncapital financing activities				
Sales tax received	—	7,979,198	—	—
Operating grants	2,830,538	4,109,290	—	4,177
Other non-operating revenue	—	21,340	713	6,005
Transfers to and from other funds	—	—	—	—
Net cash from noncapital financing activities	2,830,538	12,109,828	713	10,182
Cash flows from capital financing activities				
Proceeds from disposal of property	147	53,540	—	18,894
Capital grants & contributions	—	—	—	980,729
Capital expenditures	—	—	—	(2,044,779)
Acquisition & construction of capital assets	(2,153,651)	(5,911,270)	(8,657)	(2,366,394)
Interest and related charges paid	—	—	—	(180,208)
Other non-financial assets (lease receivable)	—	(545,373)	—	—
Other receipts	124,788	4,757	—	—
Transfers (out)	—	—	—	(84,448)
Net cash provided by (used for) financing	(2,028,716)	(6,398,346)	(8,657)	(3,676,206)
Cash flows from investing activities				
Proceeds from sale of investments	558,800	5,691,252	1,239,407	11,680,728
Purchase of investments	(740,494)	(4,453,887)	(1,700,876)	(14,591,229)
Net cash provided by investing activities	(181,694)	1,237,365	(461,469)	(2,910,501)
Net increase (decrease) in cash & cash equivalents	233,594	(1,592,240)	521,318	3,818,618
Cash & cash equivalents - beginning	718,675	7,319,897	1,565,492	14,945,866
Cash & cash equivalents - ending	\$ 952,269	\$ 5,727,657	\$ 2,086,810	\$ 18,764,484

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, 2022

Page 2 of 4

Business-Type Activities				Gov't
Major Funds		Other	Total	Internal
Water	Irrigation	Enterprise	Enterprise	Service
Funds	Funds	Funds	Funds	Funds
\$ 8,594,261	\$ 4,814,972	4,032,899	\$ 55,739,444	\$ 16,887,237
—	—	—	—	16,392,075
(5,259,703)	(360,037)	(1,997,771)	(31,070,864)	(12,048,113)
(3,038,877)	(792,433)	(1,136,207)	(17,402,198)	(4,142,407)
4,050	283	—	53,306	856
—	—	—	—	(13,261,354)
299,731	3,662,785	898,921	7,319,688	3,828,294
—	—	—	7,979,198	—
—	5,715,800	—	12,659,805	—
6,005	—	5,994	40,058	1,469,618
—	3,299,691	—	3,299,691	—
6,005	9,015,491	5,994	23,978,752	1,469,618
25,604	—	—	98,185	176,400
354,655	—	—	1,335,384	(2,121,969)
(838,395)	—	—	(2,883,174)	—
(3,746,591)	(14,143,725)	(148,339)	(28,478,627)	—
(68,839)	(298,985)	—	(548,031)	—
—	—	—	(545,373)	—
—	—	—	129,545	—
—	—	—	(84,448)	—
(4,273,566)	(14,442,710)	(148,339)	(30,976,539)	(1,945,569)
4,110,061	2,633,848	2,199,267	28,113,363	4,548,148
(2,336,449)	(1,869,617)	(2,528,410)	(28,220,962)	(6,155,994)
1,773,612	764,231	(329,143)	(107,599)	(1,607,846)
(2,194,218)	(1,000,203)	427,433	214,302	1,744,497
5,199,367	3,404,513	2,838,731	35,992,540	8,709,969
\$ 3,005,149	\$ 2,404,310	\$ 3,266,164	\$ 36,206,842	\$ 10,454,466

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, 2022

Page 3 of 4

	Business-Type Activities			
	Major Funds			
	Airport	Transit	Refuse	Wastewater
Reconciliation - operating income (loss) to net cash provided (used) for operations				
Operating income (loss)	\$ (2,756,192)	\$ (9,857,359)	\$ 976,730	\$ 4,071,246
Adj to reconcile operating income (loss) to net cash provided (used) for operations				
Depreciation expense	2,359,522	865,316	866	4,523,732
Change in assets and liabilities				
(Increase) decrease in net accounts receivable	(5,336,519)	2,785	190,105	2,478,832
(Increase) decrease in due from other governments	197,942	(258,394)	—	(4,177)
(Increase) decrease in lease receivable	—	(131,143)	—	—
(Increase) decrease in inventory	—	—	—	—
(Decrease) increase in accounts payable	(8,535)	449,916	(11,977)	(249,423)
(Decrease) increase in accrued liabilities	13,455	—	4	2,026
(Decrease) increase in wages/benefits payable	(30,564)	30,595	2,253	17,143
(Decrease) increase in compensated absences	1,660	42,688	31,847	18,652
(Decrease) increase in contracts payable	—	—	—	42,030
(Decrease) increase in due to other governments	(1,511)	93	—	—
(Decrease) increase in interest payable	—	—	—	(9,862)
(Decrease) increase in lease liability	5,278,186	679,779	—	—
(Decrease) increase in pension/OPEB liability	(103,979)	(365,362)	(199,097)	(495,057)
(Decrease) increase in claims & judgements	—	—	—	—
Total adjustments	2,369,657	1,316,273	14,001	6,323,896
Net cash prov (used) for operations	<u>\$ (386,535)</u>	<u>\$ (8,541,086)</u>	<u>\$ 990,731</u>	<u>\$ 10,395,142</u>
Schedule of noncash capital & related financing activities				
Contribution of capital assets	\$ —	\$ —	\$ —	238,850

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, 2022

Page 4 of 4

Business-Type Activities				Gov't
Major Funds		Other	Total	Activities
Water	Irrigation	Enterprise Funds	Enterprise Funds	Internal Service Funds
\$ 1,181,358	\$ 1,195,812	\$ 779,340	\$ (4,409,065)	\$ 2,555,425
1,991,677	527,753	340,436	10,609,302	1,665,130
(2,978,709)	21,121	(56,932)	(5,679,318)	(133,143)
150,255	1,250,901	—	1,336,527	—
—	—	—	(131,143)	—
(241,731)	—	—	(241,731)	(61,093)
393,386	377,107	(64,398)	886,075	(55,607)
528	224	644	16,881	—
31,553	(4,128)	(1,389)	45,464	(402,043)
31,844	(510)	9,108	135,290	31,391
(6,727)	346,415	(15,299)	366,419	—
—	—	—	(1,418)	—
8,453	26,835	—	25,427	—
—	—	—	5,957,965	—
(262,156)	(78,745)	(92,589)	(1,596,986)	—
—	—	—	—	228,236
(881,627)	2,466,973	119,581	11,728,754	1,272,871
<u>\$ 299,731</u>	<u>\$ 3,662,785</u>	<u>\$ 898,921</u>	<u>\$ 7,319,689</u>	<u>\$ 3,828,296</u>
<u>\$ 148,585</u>	<u>\$ —</u>	<u>\$ 38,304</u>	<u>425,739</u>	<u>\$ —</u>

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

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2022

Page 1 of 1

	<u>Custodial Funds</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,527,455
Receivables, net allowance for uncollectible accounts	
Accounts	846
Noncurrent assets	
Capital assets, net of accumulated depreciation	
Machinery, equipment & vehicles	9,632
Total assets	<u>1,537,933</u>
Liabilities	
Current liabilities	
Accounts payable	121,006
Total liabilities	<u>121,006</u>
Total restricted net position	<u>\$ 1,416,927</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2022

Page 1 of 1

	<u>Custodial Funds</u>
Additions	
Contributions	
Custodial deposits	\$ 5,025,478
Total additions	<u>5,025,478</u>
Deductions	
Disbursements	<u>4,692,504</u>
Total deductions	<u>4,692,504</u>
Net increase (decrease) in fiduciary net position	332,974
Net position - beginning	<u>1,083,953</u>
Net position - ending	<u><u>\$ 1,416,927</u></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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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), the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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.

REPORTING ENTITY

The City of Yakima was incorporated in 1886 and operates under the laws of the state of Washington applicable to 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, streets, code and parking enforcement, municipal court, economic development, and administrative services. Included in the City's Enterprise Fund financial reports are: water treatment and distribution, irrigation, sanitary wastewater, solid waste, stormwater, transit and airport.

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 formed a Public Facilities District (PFD) for the purpose of managing the expansions of the Yakima Convention & Event Center and the Capitol Theatre. The City appoints a majority of the board members and approves the annual budget. All revenue derived by the PFD (primarily two separate state sales tax credits) is transferred to the City and the City disburses the funds for the applicable debt service, operations, and reimbursement of administrative costs of the PFD. Information on the financial statements for the Yakima Regional Public Facilities District can be found on the [State Auditors Office](#) website.

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 Districts.

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 and its component units. 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; and 2) 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 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.

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 **American Rescue Plan Act (ARPA) Fund** accounts for the award and future expenditure of the American Rescue Plan Act funds.

The City reports the following enterprise funds as major funds:

- The **Airport Fund** is responsible for the operation, maintenance and any construction projects at the Airport facility.
- The **Transit Fund** accounts for the operation of the City Transit System, funded primarily by 0.3% sales tax, federal grants and fares.
- The **Refuse Fund** accounts for the operation and maintenance of household and yard waste collection and disposal for City residents.
- The **Water and Wastewater Funds** account for the provision of water treatment and distribution and wastewater collection and treatment services to City residents and other outside utility agreements.
- The **Irrigation Fund** accounts for the operation, maintenance and reconstruction of the existing irrigation system.

Additionally, the government reports the following fund types:

- **Internal Service Funds** account for utility services, 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. These funds are excluded from the government-wide financial statements. In accordance with GASB 73, the Firemen's Relief and Pension Fund is reported as part of the General Fund. The City is the fiduciary agent for the fiscal activity of Yakima Consortium for Regional Public Safety (YakCorps), the state portion of Municipal Court fines & fees, Parks sales tax, Cemetery sales taxes, seized funds, gun permits, Jail Welfare Trust commissary sales and Jail Inmate Trust collection of inmate funds.

- *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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government Wide and Governmental Funds

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 are considered measurable and available to the extent that expenditures have been made.

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.

As a general rule, the effect of interfund activity has been removed 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.

Property taxes, licenses, 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. 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of 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.

BUDGETARY INFORMATION

Scope of Budget

The City budget allocates available resources among the City's services and programs and makes financing decisions with a focus to fiscal sustainability and future fund balances. Budgetary comparisons for all funds not presented in this report are available at www.yakimawa.gov/finance.

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

- Prior to October 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 by City Council.

Budgets are adopted at the level of the fund by appropriation, using the modified accrual basis of accounting, except for Fiduciary funds, which are used to account for assets held by the City in a trustee capacity. For governmental funds, there are no differences between budgetary basis and generally accepted accounting principles. 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.

The financial statements include budgetary comparisons for the General Fund and for the major funds. Budgets for special revenue funds are required to be prepared, but not required to be reported individually in this report. Appropriations for general and special revenue funds lapse at year end.

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 all 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 as a budget amendment to the original budget.

As a management control device, subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures on a regular basis.

Amending the Budget

The City Manager or designee is authorized to transfer budgeted amounts 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 approving an ordinance.

The budget amounts shown in the financial statement represent the original adopted budget and all supplemental appropriations. City-wide, supplemental appropriations totaled \$50.3 million. The substantive amendments were adjustments to Community Development/ONDS in the amount of \$3.2 million, due to the programmatic nature of the budget and differences in the reporting time frame for Federal Programs, along with Nonlapsing and new appropriations of various construction projects in the amount of \$9.1 million.

Deficit Fund Net Position

The fund balance for the Worker's Compensation Fund 513 continues to struggle with a deficit of \$651,530. This is primarily due to the unforeseeable increases in long-term claims received from our public safety groups. City management met to address this issue which resulted in implementing measures to increase fund balance reserves for this fund.

In order to adequately fund this program, existing withholding rates will increase to the following levels for both Police and Fire groups as most of the processed claims are from public safety. The accident fund rate will increase for Law Enforcement to \$3.00 and Firefighters to \$2.50. We will continue to monitor this account and the claims; additional adjustments may be necessary.

ASSETS, LIABILITIES, FUND BALANCE AND NET POSITION

Cash and Cash Equivalents

Cash is considered to be cash on hand and demand deposits. Cash equivalents are 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), a qualified external investment pool which the City is eligible to participate in. See the [Deposits & Investments](#) note for further information.

Investments

The City invests funds that exceed operating and liquidity needs. The City is authorized by State law, Municipal Code and the City's [Investment Policy](#) to place cash in:

- Washington State Treasurer's Local Government Investment Pool (LGIP); U.S. Treasury and Agency securities; state and local government bonds
- Corporate notes purchased on the secondary market
- Certificates of deposit issued by Washington State depositories that participate in a state insurance pool managed by the Washington Public Deposit Protection Commission
- Investment deposits in a qualified public depository located in the State of Washington
- Banker's acceptances trading in the secondary market; and commercial paper.

The City reports investments at fair value. See the [Deposits & Investments](#) note for further information.

Receivables

Taxes receivable consists of property and other taxes, including related interest and penalties.

Accrued interest receivable consists of amounts earned on investments, notes, and contracts as of year-end.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments.

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 amounts in proprietary funds.

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 Neighborhood 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 the [Interfund Balances and Transfers](#) note.

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. More information can be found in the [Long-Term Debt](#) note.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type columns in the government-wide financial statements. Examples of infrastructure include roads, bridges, and lighting systems. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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. Further information can be found in the [Capital Assets](#) note.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The cost of normal maintenance and repairs that do not add to the value of the asset or do not 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

Leases

The financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, when applicable, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For the purpose of this standard and policy, lease liabilities (Lessee) and lease receivables (Lessor) will be reported if they meet or exceed \$100,000 upon initial measurement. This threshold was established during implementation and is based off of prior year statement of net position and balance sheet. More detailed information can be found in the [Leases \(Lessors\)](#) note.

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. The City has deferred outflows related to pension, OPEB and leases that qualify for reporting in this category, which are reported in the governmental activities on the Statement of Net Position. Another is the deferred amount on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its

reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The City has deferred inflows related to Pension, OPEB and leases that qualify for reporting in this category. The governmental funds report unavailable revenues from two sources, taxes receivable and notes receivable; these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension liability, net pension asset, 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.

For purposes of calculating the restricted net position related to the net pension asset, the city includes the net pension asset and the related deferred outflows and deferred inflows.

Long-Term Debt

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. More information can be found in the [Long-Term Debt](#) note.

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 in the government wide Statement of Activities, 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.

Fund Balance Classification

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 [Fund Balance Classification](#) note provides further information.

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 (resolution or ordinance) of the City Council which may be altered only by a similar 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. Constraints imposed by the City Council for amounts intended for specific purposes, but do not meet the criteria of restricted or committed. It is the City's policy that intent of use can be assigned by the City Council, the City Manager, or his/her designee, adopted through either the budget ordinance or an amending budget ordinance. For governmental funds, other than the General Fund, the residual fund balance that is not restricted or committed is reported as assigned because the use of fund balance, at a minimum, should be used for the purpose of that fund. Additional action does not need to be taken to remove an assignment, whereas additional action is essential to remove a commitment.

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

Nonspendable Fund Balance in Permanent Funds

The fund balance of \$729,109 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.

Firemen's Relief and Pension Fund

The Firemen's Relief and Pension Fund has net position of \$1,587,704 held in Trust for pension benefits and other purposes which represents the net accumulated contributions made by the government through property taxes plus interest earnings and state fire insurance premium tax proceeds. As a requirement of GASB 73, which was implemented in 2016, this fund is now being reported as a part of the General Fund balance. It will continue to be treated as a separate fund for budgetary purposes.

Net Position Classification

For government wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the City of Yakima will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 – ACCOUNTING CHANGES & ERROR CORRECTIONS

ACCOUNTING CHANGES

New Funds

The Street Overlay and Reconstruction fund 346 was created for all Arterial Street Capital related items. Therefore, the Arterial Streets Capital fund 142 was removed, as it was determined that these funds should no longer be classified as a special revenue fund.

Changes in Accounting Principle

Implementation of GASB 100 Accounting Changes and Error Corrections. This statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more

understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Implementation of GASB 87 Leases. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Change to or Within the Financial Reporting Entity

Neighborhood Development and the Yakima Revenue Development Area (YRDA) are presented as nonmajor governmental funds for 2022.

The Air Terminal is presented as a major proprietary fund for 2022.

ERROR CORRECTIONS

During fiscal year 2022, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances								
	Governmental Funds					Proprietary Funds		Government-Wide	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)		
	Millsite	Parks Capital	REET 2	TBD	Street Capital	Airport	Wastewater	Gov't Activities	Business-Type Activities
12/31/2021, as previously reported	\$ 20,664	\$313,602	\$1,530,662	\$2,206,593	\$3,066,263	\$23,416,811	\$ 91,462,830	\$169,962,921	\$220,098,676
Error corrections	476,998	236	23,231	4,593	44,354	(233,344)	13,214	549,412	(220,130)
12/31/2021, as restated	<u>\$497,662</u>	<u>\$313,838</u>	<u>\$1,553,893</u>	<u>\$2,211,186</u>	<u>\$3,110,617</u>	<u>\$23,183,467</u>	<u>\$ 91,476,044</u>	<u>\$170,512,333</u>	<u>\$219,878,546</u>

During fiscal year 2022, it was determined several projects were erroneously closed in 2021. Therefore, capital assets, net of depreciation was overstated as outlined:

- (1) Millsite YRDA Fair Ave project error correction of \$460,933, Fund 323.
- (1) Millsite EW Corridor project error correction of \$16,065, Fund 323.
- (2) Miller Park Improvement project error correction of \$235.89, Fund 331.
- (3) Spring Creek Wetlands Mitigation project error correction of \$23,230.92, Fund 343.
- (4) N 1st St Revitalization project error correction of \$4,592.94, Fund 344.
- (5) Soccer Frontage Rd project error correction of \$44,353.83, Fund 346.
- (7) IW Hot Water Pipe Replacement project error correction of \$7,261.43, Fund 473.
- (7) Rudkin Rd Lift Station upgrade project error correction of \$5,592.57, Fund 474.

During fiscal year 2022, it was determined Airport Alpha Taxiway's depreciable life was incorrect after further review of an audit misstatement. In addition, there was an error with the City's Capital Assets program not including prior adjustments into the depreciation calculation. Therefore, capital assets, net of depreciation was understated as outlined:

- (6) Airport Alpha Taxiway depreciable life correction resulted in an error correction of \$33,580, Fund 422.
- (6) Airport Alpha Taxiway depreciable life miscalculation resulted in an error correction of \$199,494, Fund 422.

There was also an error correction due to the accounting of Section 108 HUD loan that the City deemed as Conduit Debt. However after review of the new GASB 91 Conduit Debt it was discovered Section 108 HUD loan is not Conduit Debt so it should be recorded as a liability. The recording of the liability did not impact the General Fund's net position, the error correction was an increase to liabilities which was offset by an increase in receivables.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

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.” These details of this difference are as follows:

Land	\$ 17,512,974
Construction in progress	24,857,069
Buildings	59,636,263
Less: Accumulated depreciation - buildings	(32,701,543)
Machinery, equipment and vehicles	29,042,746
Less: Accumulated depreciation - machinery, equipment and vehicles	(21,661,125)
Infrastructure	323,361,372
Less: Accumulated depreciation - infrastructure	(231,977,056)
Other improvements	46,491,807
Less: Accumulated depreciation - other improvements	(18,817,333)
Net adjustment to increase total fund balances - total government funds to arrive at net position - governmental activities	<u><u>\$ 195,745,174</u></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 difference are as follows:

Bonds payable	\$ (34,759,604)
Add: Issuance premium (to be amortized over the life of the debt)	(367,401)
Intergovernmental loans	(4,936,361)
Lease purchase agreements	(2,566,416)
Add: Issuance premium (to be amortized over the life of the debt)	(501,610)
Compensated absences	(8,569,664)
Subtotal	<u>(51,701,056)</u>
Accrued interest payable	(204,259)
Net adjustment to reduce total fund balances - total government funds to arrive at net position - governmental activities	<u><u>\$ (51,905,315)</u></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 difference are as follows:

Pension asset	\$ 29,624,929
Net pension liability	(11,159,362)
Deferred outflow change in proportionate share	16,005,601
Deferred inflow change in proportionate share	(16,145,945)
Other postemployment benefit obligation	(40,243,557)
Net adjustment to reduce total fund balances - total government funds to arrive at net position - governmental activities	<u><u>\$ (21,918,334)</u></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 depreciation expense exceeded capital outlays in the current period. The details of this difference are as follows:

Capital outlay	\$ 10,437,907
Depreciation expense	(12,273,290)
Net adjustment to decrease net changes in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ (1,835,383)</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 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.	\$ (84,273)
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.	684,320
Net adjustment to increase total government funds to arrive at changes in net position of governmental activities	<u>\$ 600,047</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 difference are as follows:

Principal repayments	
General obligation debt	\$ 3,033,550
Intergovernmental loans	510,251
Lease purchase agreements	323,778
Interest accrued	176,508
Net adjustment to increase net changes in fund balances - total government funds to arrive at changes in net position of governmental activities	<u>\$ 4,044,087</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

DEPOSITS

The City of Yakima maintains deposit relationships with qualified Washington State depositories which are public depositories authorized by the Public Deposit Protection Commission of the State of Washington (PDPC). Collateralization requirements for all deposits above Federal Depository Insurance Corporation (FDIC) insured amounts are prescribed by State statute ([RCW 39.58](#)) and PDPC regulations. The PDPC provides protection to Washington cities by defining standards for financial institutions holding public deposits, by monitoring their financial condition as approved public depositories and defining collateralization requirements.

The City of Yakima had the following cash on hand and deposit balances on December 31, 2022:

Banks and savings and loan institutions	\$ 12,743,932
Cash with fiscal agent	256,059
Petty cash and other imprest funds	8,775
Local Government Investment Pool (LGIP)	74,964,080
Subtotal	87,972,846
Agency Fund	1,104,688
Custodial fund	422,767
Total	<u>\$ 89,500,301</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 over FDIC insured amounts may not be recovered. Because of PDPC regulatory oversight, the risk to City’s deposits is reduced.

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 has no deposits or investments that are exposed to this type of risk.

INVESTMENTS

Cash and investments are managed in accordance with the City’s [Investment Policy](#), approved by City Council on March 5, 2019 and adopted by ordinance on February 1, 2022. This policy received a Certification of Excellence from the Washington Public Treasurer’s Association. The policy applies to all funds as indicated in the policy itself.

State statutes ([RCW 35.39](#) and [39.59](#)), limit investments that a Washington Class 1 City may hold to: (1) Direct and Indirect obligations of the US Government; (2) Bonds of Washington State or local government within the State; (3) General Obligation bonds of another State or local government, which at the time of investment have one of the three highest credit ratings of a nationally-recognized rating agency; (4) Corporate Notes purchased on the secondary market with a minimum credit quality rating of upper medium investment grade - at least A by Standard and Poors, A2 by Moody’s, or A by Fitch - on the date of purchase; (5) 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; (6) non-negotiable Certificates of Deposit with financial institutions qualified by the Washington PDPC; and (7) the State Treasurer’s Local Government Investment Pool (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 adopted [Investment Policy](#) adheres to state statutes.

The City of Yakima is a participant in the Local Government Investment Pool (LGIP), managed and operated by the Washington State Treasurer, as authorized by Chapter 294, Laws of 1986. Participation is available to eligible government entities as defined by state regulations and is voluntary. The State Treasurer is responsible for establishing and maintaining the investment policy for the pool, reviewing the policy annually, and proposed

changes are reviewed by the LGIP advisory committee comprised of six members appointed by the State Treasurer and eight members appointed by state associations appointed to three-year terms.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption rates on participant withdrawals. Participating agencies may contribute or withdraw funds with same-day or next-day notice.

The Office of the State Treasurer prepares a stand-alone comprehensive annual financial report. A copy of the LGIP audited financial report, provided annually for review to the Governor, State Auditor, and Joint Legislative Audit and Review Committee, is available online at www.tre.wa.gov or from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200.

INVESTMENTS AUTHORIZED BY CITY INVESTMENT POLICY

Authorized Investment Type	Maturity	Maximum % of Portfolio	Maximum Investment per Issuer
US Treasury securities	5 Years	100%	n/a
Government Sponsored Enterprise (GSE)	5 Years	100%	40%
Corporate medium term notes	5 Years	15%	2% or \$1M
Local Government Investment Pool (LGIP)	n/a	100%	n/a
Bankers acceptances	5 Years	15%	n/a
Commercial paper	5 Years	15%	2% or \$1M
Same state local securities	5 Years	15%	2% or \$1M
Certificates of deposit	5 Years	10%	2% or \$1M
Other state/local securities	5 Years	5%	2% or \$1M
Same County - local government issuer	5 Years	Council Resolution	

The City's [Investment Policy](#) limits the amount that can be invested in obligation of any one entity except US Treasuries, US Government Sponsored Enterprise Securities and the Washington State Local Government Investment Pool (LGIP).

Concentration of Credit Risk - Credit risk, generally, is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

Investments in any one issuer of Corporate Medium Term Notes are as follows:

INVESTMENT LIMITS

Issuer	Par Value	Cost	Fair Value	Moody's	S & P	Fitch
Apple	\$ 1,000,000	\$ 991,000	\$ 992,164	AA1	AA+	n/a
WalMart	1,000,000	1,026,800	993,405	Aa2	AA	AA
	<u>\$ 2,000,000</u>	<u>\$ 2,017,800</u>	<u>\$ 1,985,569</u>			

Reinvestment Risk - The risk that the proceeds at maturity of an investment could have to be reinvested at a lower rate than the original investment due to the maturity date chosen at time of purchase. In accordance with its adopted investment policy, the City manages its exposure to market rate fluctuations by diversifying maturity dates. The following table shows the distribution of fair values by investment type and remaining maturity. As of December 31, 2022, the City of Yakima had the following investments:

DISTRIBUTION OF FAIR VALUE

Investment Type	Fair Value	Remaining Maturity				
		12 Months or Less	12 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months
Local Government Investment Pool (LGIP)	\$ 74,964,080	\$ 74,964,080	\$ —	\$ —	\$ —	\$ —
US Treasury securities	31,837,020	1,976,905	13,400,233	16,459,882	—	—
Government Sponsored Enterprise (GSE)	23,183,334	10,829,255	5,805,579	6,548,500	—	—
Corporate medium term notes	1,985,569	1,985,569	—	—	—	—
	<u>\$131,970,003</u>	<u>\$ 89,755,809</u>	<u>\$ 19,205,812</u>	<u>\$ 23,008,382</u>	<u>\$ —</u>	<u>\$ —</u>

Investments Measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by generally-accepted accounting principles, as follows:

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

The city's investments consist of Treasuries, Agencies and Corporate Medium Term Notes, all actively traded instruments and therefore able to be reasonably priced by nationally-known vendors. Fair Value is priced using ICE (Intercontinental Exchange) as the primary source and Bloomberg as a secondary source for monthly valuations on monthly custodial safekeeping reports. At December 31, the city had the following investments measured at fair value:

FAIR VALUE MEASUREMENTS

		Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	12/31/2022			
Investments by fair value level				
US Treasury securities	\$ 31,837,020	\$ 31,837,020	\$ —	\$ —
Federal agency obligations	23,183,334	—	23,183,334	—
Corporate bonds	1,985,569	—	1,985,569	—
Total investments measured at fair value	57,005,923	31,837,020	25,168,903	—
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	74,964,080	74,964,080	—	—
Total Investments	<u>\$ 131,970,003</u>	<u>\$ 106,801,100</u>	<u>\$ 25,168,903</u>	<u>\$ —</u>

Carrying Value - Investments are reported at fair value on the Financial Statements. Fair value reflects the market price on a given date, reported independently by the third-party custodian using quoted prices in active markets for identical assets. Securities traded on a national exchange are valued at the last reported sales price or fair value when market quotations are readily available. Changes in fair value may create unrealized gains and losses which are usually not realized due to the strategy outlined in the City's investment policy of primarily holding investments until maturity.

The city is a voluntary participant in the Local Government Investment Pool (LGIP), an external investment pool managed by the Washington State Treasurer. The pool is not rated and not registered with the SEC, rather, oversight is provided by the State Finance Committee in accordance with [RCW 43.250](#). Investments in the LGIP

are reported at amortized cost, which is the same as the per-share value of the pool. The LGIP does not impose any restrictions on participant withdrawals.

A copy of the stand-alone financial report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200 or online at www.tre.wa.gov.

Interest Rate Risk - The risk that changes in market interest rates will adversely affect the market value of an investment. 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. The City does not purchase derivatives, pass-through obligations or other 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.

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 Local Improvement District (LID) notes.

NOTE 5 – PROPERTY TAX

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 payment 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 collectible. Delinquent taxes are reported as unearned in the governmental funds and as part of the net position in the government wide funds.

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 \$0.50 per \$1,000 for the Library District. 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 2022, the City's regular tax levy was \$2.3442 per \$1,000 on a total assessed valuation of \$8.8 billion, for a total regular levy of \$20,600,919. 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.

NOTE 6 – CONTINGENCIES & LITIGATIONS

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. Estimated uncollectible balances are as follows:

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS RECEIVABLE – ENTERPRISE FUNDS

Refuse	\$ 288,092
Wastewater	648,501
Water	381,869
Irrigation	70,360
Irrigation Capital	34,655
Total	<u>\$ 1,423,477</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

INTERFUND BALANCES

Under the City's Interfund Loan program established in Chapter 3.123 of the City of Yakima Municipal code, loans between funds are authorized as needed to keep the funds of the City solvent. Generally, such needs are due to timing differences between a fund's regular receipts of revenue and ordinary operating expenditures or expenses. Interfund loans for brief periods up to a calendar quarter will not be subject to interest.

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

INTERFUND BALANCES

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Irrigation Capital	Water	\$ 3,299,691
Yakima Revenue Dev Area	Water Capital	439,463
Yakima Revenue Dev Area	Wastewater Capital	439,464
Yakima Revenue Dev Area	Stormwater Capital	438,869
	Total	<u>\$ 4,617,487</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 allocate the portion of utility taxes that are designated to support Parks and Recreation and Law and Justice Capital programs. Other transfers generally represent debt service and capital project funding.

The following chart depicts interfund transfer activity during 2022:

INTERFUND TRANSFERS

		Transfer In
		Other
		Gen Gov't
Transfer out	General Fund	\$ 2,117,878
	Other Gen Gov't	3,380,536
	Wastewater	84,448
	Total	<u>\$ 5,582,862</u>

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022 was as follows:

CAPITAL ASSET ACTIVITY

	Balance 1/1/2022	Additions	Adjustments	Deletions	Balance 12/31/2022
Governmental activities					
Capital assets - not being depreciated					
Land	\$ 17,529,399	\$ —	\$ —	\$ (16,425)	\$ 17,512,974
Construction in progress	10,585,992	5,645,687	8,625,390	—	24,857,069
Total capital assets not being depreciated	<u>28,115,391</u>	<u>5,645,687</u>	<u>8,625,390</u>	<u>(16,425)</u>	<u>42,370,043</u>
Capital assets being depreciated					
Buildings	59,651,400	—	(15,137)	—	59,636,263
Other improvements	44,689,534	1,787,136	15,137	—	46,491,807
Machinery, equipment and vehicles	27,822,458	1,983,543	(763,255)	—	29,042,746
Infrastructure	330,280,902	1,705,860	(8,625,390)	—	323,361,372
Total capital assets being depreciated	<u>462,444,294</u>	<u>5,476,539</u>	<u>(9,388,645)</u>	<u>—</u>	<u>458,532,188</u>
Less accumulated depreciation					
Buildings	(31,444,518)	(1,257,403)	378	—	(32,701,543)
Other improvements	(17,023,775)	(1,793,415)	(143)	—	(18,817,333)
Machinery, equipment and vehicles	(21,179,640)	(1,176,893)	695,408	—	(21,661,125)
Infrastructure	(224,480,653)	(8,045,579)	549,176	—	(231,977,056)
Total accumulated depreciation	<u>(294,128,586)</u>	<u>(12,273,290)</u>	<u>1,244,819</u>	<u>—</u>	<u>(305,157,057)</u>
Total capital assets being depreciated - net	<u>168,315,708</u>	<u>(6,796,751)</u>	<u>(8,143,826)</u>	<u>—</u>	<u>153,375,131</u>
Governmental activities capital assets - net	<u>196,431,099</u>	<u>(1,151,064)</u>	<u>481,564</u>	<u>(16,425)</u>	<u>195,745,174</u>
Internal service funds - governmental activities					
Capital assets being depreciated					
Buildings	422,557	—	—	—	422,557
Other improvements	743,022	34,927	—	—	777,949
Machinery, equipment and vehicles	27,941,783	2,272,972	864,117	(2,082,097)	28,996,775
Total capital assets being depreciated	<u>29,107,362</u>	<u>2,307,899</u>	<u>864,117</u>	<u>(2,082,097)</u>	<u>30,197,281</u>

CAPITAL ASSET ACTIVITY

	Balance 1/1/2022	Additions	Adjustments	Deletions	Balance 12/31/2022
Less accumulated depreciation					
Buildings	(90,656)	(39,215)	—	—	(129,871)
Other improvements	(342,308)	(42,677)	—	—	(384,985)
Machinery, equipment and vehicles	(16,887,201)	(1,583,237)	(796,270)	1,828,319	(17,438,389)
Total accumulated depreciation	(17,320,165)	(1,665,129)	(796,270)	1,828,319	(17,953,245)
Total capital assets being depreciated - net	11,787,197	642,770	67,847	(253,778)	12,244,036
Internal service - gov't act cap assets - net	\$ 208,218,296	\$ (508,294)	\$ 549,411	\$ (270,203)	\$ 207,989,210
Business-type activities					
Capital assets - not being depreciated					
Land	\$ 5,504,806	\$ 5,034,401	\$ —	\$ —	\$ 10,539,207
Construction in progress	9,950,313	21,370,058	(715,965)	—	30,604,406
Total capital assets not being depreciated	15,455,119	26,404,459	(715,965)	—	41,143,613
Capital assets being depreciated					
Buildings	88,340,415	795,563	—	—	89,135,978
Other improvements	223,784,847	1,499,003	715,965	—	225,999,815
Machinery, equipment and vehicles	42,996,263	205,340	(100,862)	(303,143)	42,797,598
Intangibles	2,190,138	—	—	—	2,190,138
Total capital assets - depreciated	357,311,663	2,499,906	615,103	(303,143)	360,123,529
Less accumulated depreciation					
Buildings	(68,404,774)	(1,384,617)	—	—	(69,789,391)
Other improvements	(102,184,354)	(7,234,655)	(220,130)	—	(109,639,139)
Machinery, equipment and vehicles	(30,717,014)	(1,888,559)	100,862	303,143	(32,201,568)
Intangibles	(1,613,866)	(101,471)	—	—	(1,715,337)
Total accumulated depreciation	(202,920,008)	(10,609,302)	(119,268)	303,143	(213,345,435)
Total capital assets being depreciated - net	154,391,655	(8,109,396)	495,835	—	146,778,094
Total capital assets - business activities	\$ 169,846,774	\$ 18,295,063	\$ (220,130)	\$ —	\$ 187,921,707

NOTE - The adjustment column represents construction work 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	\$ 337,906
Public safety	1,144,996
Transportation	7,266,941
Economic environment	1,196,743
Cultural and recreational	2,326,704
Capital Assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,665,130
Total depreciation - governmental activities	<u>\$ 13,938,420</u>
Transit	\$ 865,316
Wastewater	4,523,732
Water	1,991,677
Irrigation	527,753
Stormwater	340,436
Airport	2,359,522
Refuse	866
Total depreciation - business-type activities	<u>\$ 10,609,302</u>

NOTE 9 – CONSTRUCTION COMMITMENTS

The City had active construction projects as of December 31, 2022. At year-end, the City's commitments with contractors for infrastructure projects are as follows:

Water Capital has completed the work on the Naches River WTP Intake, continuing work on the 1st Level Reservoir improvements, beginning work on the WTP Concrete Effluent Repair, Water Main replacements, and completed design for the N. 1st Street - E. I St. to Martin Luther King Blvd. Design is also underway for Water and Wastewater systems in the City. Construction will take place once additional funding is secured.

Nelson Dam received funds from RCO - Brian Abbot Fish Barrier, Floodplain by Design, Resources Legacy Fund and State Community Capital. Construction continued into 2023. In the process of seeking funding for Phase 2 pipeline portion of project.

The Sewer collection system improvements that will continue into 2023 include replacement of aging manholes & pipes and continuation of the Wastewater Collection System Master Plan update. These projects are funded with rates and fees.

The Wastewater Treatment Plant projects that continue into 2023 include a primary clarifier rehabilitation project and the closeout of the Biosolids Removal and Reuse project. These projects are funded with rates and fees.

Stormwater projects at the end of 2022 include Drainage Improvement District Evaluation & Design, and the Stormwater Collection System Master Plan update. Stormwater is solely funded by Stormwater Utility Capital fund.

City Engineering (Arterial Streets) completed many projects and the projects that will be continued into 2023 are Cowiche Canyon Trail, Robertson Elementary Safety, Summitview Avenue, McClure Elementary Safety, N 1st St Phase 3, and Pacific Ave Sidewalks. Projects are paid for with Federal and State grants, TIB, TBD, SIED and Arterial Street Gas Tax.

Yakima Cascade Mill site consists of several stages and projects before all work is completed. Funding sources and availability determines when projects are completed. Projects may be dependent upon previous work, or may be stand alone. The City completed the stage to remove Municipal Solid Waste within the City R/W utilizing DOE and local funds in 2021. Currently the City is working on multiple projects including utilities, roadway, and environmental monitoring. These projects may use any combination of Sales Tax Credits, ARPA, DOE, grants, and local funds.

The Yakima Air Terminal-McAllister Field continues to work on Taxilane Charlie, Snow Removal Equipment and the Terminal Building Concept Study.

- Design, Engineer and Construct Taxilane Charlie - In 2015, City Council adopted the Airport Master Plan, which identifies important Capital Improvement Projects through 2030. One element within the plan identified the need for additional hangar development for aircraft manufacturing, maintenance, and storage of aircraft as the airport continues to witness growth in the aviation industry. Tasks that have been completed in 2022 include environmental and design and engineering. Task to be completed in 2023 include construction of approximately 1,900 feet of Taxiway system. Funding sources include both entitlement and a Bipartisan Infrastructure Law (BIL) infrastructure grant administered by the Federal Aviation Administration. The airport's local funding match of 10% will be derived from the Passenger Facility Charge (PFC) account.
- Snow Removal Equipment - This project includes the procurement of two high speed runway plows. The airport has two 1992 Oshkosh runway plows that have exceed their useful life span. The aging equipment continue to have major maintenance problems. The high-speed runway plows are essential to keep operations and the airport open during the winter months. The procurement process for this project began in late of 2022 and has continued to move forward into 2023. Project cost is about \$1.5 million of which the Federal Aviation Administration (FAA) will pay for 90% through Airport Improvement Program administered by the Federal Aviation Administration and 10% from the airport's PFC account.
- Terminal Building Concept Study - The main terminal building was originally constructed in 1950's where it has witnessed multiple expansion and remodeling phases in order to meet passenger demands. The 2015 Airport Master Plan conducted a comprehensive evaluation of the facilities to include passenger demands, vehicle parking, airline and rental car ticket counters, ground transportation, passenger concessions, and baggage claim requirements. Given the increasing demands as well as the current building codes, it was determined the main terminal building required demolition and be replaced with an updated facility. Preliminary efforts for this project started late 2022 and will go into 2023. Funding sources for this Concept Study include earmark, entitlement and discretionary funding from the Airport Improvement Program administered by the FAA. The airport's local funding match of 10% will be derived from the Passenger Facility Charge account.

CURRENT CONSTRUCTION COMMITMENTS

Project	Contract Amount	Spent to Date	Remaining Commitment
Wastewater Treatment Plant/Facility Improvements	\$ 1,335,924	\$ 1,195,897	\$ 140,027
Water	6,034,094	4,552,716	1,481,378
Irrigation System Design/Rebuild	20,024,150	17,604,091	2,420,059
Street Construction	3,617,824	2,729,966	887,858
EV Projects (TIGER OIL)	1,019,057	633,978	385,079
REET Capital	942,427	793,700	148,727
TBD Street Capital	3,060,734	3,015,256	45,478
Stormwater Capital	402,530	122,985	279,545
Millsite Street Construction	3,168,528	2,131,600	1,036,928
Sewer Projects	2,808,390	2,207,385	601,005
Airport	2,103,694	1,623,183	480,511
Total	<u>\$ 44,517,352</u>	<u>\$ 36,610,757</u>	<u>\$ 7,906,595</u>

NOTE 10 – STATE SPONSORED (DRS) PENSION PLANS

The following table represents the aggregate pension amounts for all state sponsored plans for the year 2022:

AGGREGATE PENSION AMOUNTS - ALL PLANS

Pension liabilities	\$ (13,670,798)
Pension assets	33,805,824
Deferred outflows of resources	19,867,724
Deferred inflows of resources	(18,351,993)
Pension expense/expenditures	944,106

PENSION AMOUNTS - ALL STATE SPONSORED PLANS

Pension liabilities	\$ (5,647,086)
Pension assets	33,805,824
Deferred outflows of resources	19,867,724
Deferred inflows of resources	(18,351,993)
Pension expense/expenditures	1,922,582

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. 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%. 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 2022 were as follows:

PERS PLAN 1

Actual Contribution Rates	Employer	Employee
January - August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	n/a
Administrative Fee	0.18%	n/a
Total	10.25%	6.00%
September - December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	n/a
Administrative Fee	0.18%	n/a
Total	10.39%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% 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 3.00% 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 5% 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 3% 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% and escalate to 15% 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%. 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 2022 were as follows:

PERS PLAN 2/3

<u>Actual Contribution Rates</u>	<u>Employer 2/3</u>	<u>Employee 2/3</u>
January - August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	n/a
Administrative Fee	0.18%	n/a
Employee PERS Plan 3	n/a	Varies
Total	10.25%	6.36%
September - December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	n/a
Administrative Fee	0.18%	n/a
Employee PERS Plan 3	n/a	Varies
Total	10.39%	6.36%

The City of Yakima's actual PERS plan contributions were \$1,250,290 to PERS Plan 1 and \$2,041,098 to PERS Plan 2/3 for the year ended December 31, 2022.

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 and Cannabis 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 2% 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 3% 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%. 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 2022 were as follows:

PSERS PLAN 2

Actual Contribution Rates	Employer	Employee
January - August 2022		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	n/a
Administrative Fee	0.18%	n/a
Total	10.39%	6.50%
September - December 2022		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	n/a
Administrative Fee	0.18%	n/a
Total	10.63%	6.60%

The City of Yakima's actual plan contributions were \$61,000 to PSERS Plan 2 for the year ended December 31, 2022.

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five

years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expense of 0.18% of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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 3% 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 3% 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 includes an administrative expense component set at 0.18%. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF PLAN 2

<u>Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
January - December 2022		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	n/a
Total	5.30%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	n/a
Total	8.71%	8.53%

The City of Yakima's actual contributions to the plan were \$1,312,467 for the year ended December 31, 2022.

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, 2022, the state contributed \$81,388,085 to LEOFF Plan 2. The amount recognized by the the City of Yakima as its proportionate share of this amount is (\$17,164,301).

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation - 2.75% total economic inflation; 3.25% salary inflation
- Salary increases - In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return -7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. 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.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.0% 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 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the 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, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% LT Expected Real Rate of Return
		Arithmetic
Fixed income	20.00%	1.50%
Tangible assets	7.00%	4.70%
Real estate	18.00%	5.40%
Global equity	32.00%	5.90%
Private Equity	23.00%	8.90%
	100.00%	

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 7.0%, 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% point lower (6.0%) or 1% point higher (8.0%) than the current rate.

	Current Discount		
	1% Decrease 6.0%	Rate 7.0%	1% Increase 8.0%
PERS 1	\$ 7,544,429	\$ 5,647,086	\$ 3,991,150
PERS 2/3	11,070,842	(9,400,944)	(26,219,810)
PSERS 2	241,049	(101,203)	(371,315)
LEOFF 1	(6,256,492)	(7,139,375)	(7,904,972)
LEOFF 2	(790,397)	(17,164,301)	(30,564,939)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2022, the City of Yakima reported total pension assets of (\$33,805,823) and total liabilities of \$5,647,086 as follows:

	Asset	Liability
PERS 1	\$ —	\$ 5,647,086
PERS 2/3	(9,400,944)	—
PSERS 2	(101,203)	—
LEOFF 1	(7,139,375)	—
LEOFF 2	(17,164,301)	—
Total	<u>\$ (33,805,823)</u>	<u>\$ 5,647,086</u>

The amount of the asset reported above for LEOFF Plans 1 and 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 asset, the related State support, and the total portion of the net pension asset that was associated with the city were as follows:

Risk	LEOFF 1	LEOFF 2
	Asset	Asset
Employer's proportionate share	\$ (7,139,375)	\$ (17,164,301)
State's proportionate share of the net pension asset associated with the employer	(48,290,558)	(11,118,660)
Total	<u>\$ (55,429,933)</u>	<u>\$ (28,282,961)</u>

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.2114%	0.2028%	(0.0086)%
PERS 2/3	0.2586%	0.2535%	(0.0051)%
PSERS 2	0.1346%	0.1415%	0.0069%
LEOFF 1	0.2523%	0.2489%	(0.0034)%
LEOFF 2	0.6478%	0.6316%	(0.0162)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 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 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% 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 2022, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 2022, the City of Yakima's recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 2,344,503
PERS 2/3	(3,273,521)
PSERS 2	24,967
LEOFF 1	(246,131)
LEOFF 2	3,072,765
Total	<u>\$ 1,922,583</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the City of Yakima reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DEFERRED OUTFLOWS/INFLOWS

Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 1		
Net difference between projected and actual investment earnings on pension plan investments	\$ —	\$ 935,888
Contributions subsequent to the measurement date	642,724	—
Total PERS Plan 1	642,724	935,888
PERS Plan 2/3		
Differences between expected and actual experience	2,329,334	212,813
Net difference between projected and actual investment earnings on pension plan investments	—	6,950,187
Changes of assumptions	5,239,728	1,371,948
Changes in proportion and differences between contributions and proportionate share of contributions	57,567	441,632
Contributions subsequent to the measurement date	1,036,899	—
Total PERS Plan 2/3	8,663,528	8,976,580
PSERS Plan 2		
Differences between expected and actual experience	52,574	1,114
Net difference between projected and actual investment earnings on pension plan investments	—	70,973
Changes of assumptions	74,296	29,684
Changes in proportion and differences between contributions and proportionate share of contributions	774	9,583
Contributions subsequent to the measurement date	30,973	—
Total PSERS Plan 2	158,617	111,354
LEOFF 1		
Net difference between projected and actual investment earnings on pension plan investments	—	891,450
Total LEOFF 1	—	891,450
LEOFF 2		
Differences between expected and actual experience	4,078,521	159,254
Net difference between projected and actual investment earnings on pension plan investments	—	5,747,266
Changes of assumptions	4,348,203	1,494,541
Changes in proportion and differences between contributions and proportionate share of contributions	1,318,151	35,659
Contributions subsequent to the measurement date	657,980	—
Total LEOFF 2	10,402,855	7,436,720
Total	\$ 19,867,724	\$ 18,351,992

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1	PERS 2/3	PSERS	LEOFF 1	LEOFF 2
2023	\$ (396,048)	\$ (2,280,439)	\$ (24,043)	\$ (377,556)	\$ (1,629,866)
2024	(359,714)	(2,038,734)	(21,089)	(341,853)	(1,389,491)
2025	(451,251)	(2,392,346)	(27,095)	(427,446)	(1,907,135)
2026	271,125	3,137,368	33,398	255,404	2,654,231
2027	—	1,114,347	8,036	—	881,459
Thereafter	—	1,109,852	47,084	—	3,698,956

NOTE 11 – DEFINED BENEFIT PENSION PLANS

FIRE PENSION

AGGREGATE PENSION AMOUNTS - FIRE

Pension liabilities	\$ 5,276,501
Pension assets	—
Deferred outflows of resources	—
Deferred inflows of resources	—
Pension expense/expenditures	(527,741)

The City has a single employer, defined benefit pension plan for Firefighters employed prior to March 1, 1970, and governed by [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. The number of inactive, retired members and survivors covered by the benefit terms is 52, with a combined monthly pension of \$38,709 paid by the City. Cost of Living Adjustment (COLA) was 6.9% and Collective Bargaining Agreement (CBA) was 4.5%. There are no active members covered by the benefit terms; 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 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 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, 2022, there were no plan amendments.

Contributions

The Firemen's 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, 2022.

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 \$.1218 per \$1,000 of assessed valuation of all taxable property of the City in the amount of \$929,550 for fiscal year 2022.

- The Firemen's Pension Fund also receives a proportionate share of the 25% of the tax on fire insurance premiums set aside by the state for all paid firemen in the state which totaled \$119,792 for fiscal year 2022.
- There was no additional funding provided by investment interest earnings in fiscal 2022.

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.

Actuarial assumptions valuation date is January 1, 2022, measurements were based on the results of an actuarial experience study covering the period from January 1, 2022 through December 31, 2022. Those assumptions, applied to all periods included in the measurement, are as follows.

- Inflation - 2.50%
- Salary increases, including inflation - 3.50%
- Mortality - Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.
- Actuarial cost method - Entry age normal

The following presents the total pension liability of the City, calculated using the discount rate of 3.75%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1% point lower (2.75%) or 1% point higher (4.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.75%	3.75%	4.75%
Total Pension Liability	\$ 5,687,262	\$ 5,276,501	\$ 4,915,855

Pension Expenses

For the year ended December 31, 2022, the pension expense is (\$527,741).

Total Pension Liability

Due to the implementation of GASB 73, the City is now required to report the pension liability of this single employee non-trust pension plan. The City recognizes its total pension liability, rather than a net pension liability. In order for the City to recognize a net pension liability, assets must be accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

No assets are accumulated in a trust that meets all of the above criteria because the City's contributions are not irrevocable. Accordingly, the City's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the City must report its total pension liability.

The City's total pension liability was determined by an actuarial valuation as of the measurement date of December 31, 2022. Changes in the City's total pension liability were as follows:

Fire Pension	Total Pension Liability
Balances at 12/31/2021	\$ 6,185,676
Changes for the year:	
Interest on total pension liability	118,726
Effect of economic/ demographic gains or losses	(140,823)
Effect of assumptions changes or inputs	(385,852)
Benefit payments	(501,226)
Net changes in total pension liability	(909,175)
Balance at 12/31/2022	<u>\$ 5,276,501</u>

The liability has decreased since the last valuation. This is due to the change in the discount rate used to discount the projected benefit payments into a present value. This discount rate increased from 2.00% to 3.75%.

The Plan remains sensitive to demographic experience that deviates from expectations due to the small size of the Plan membership. The Plan also remains sensitive to deviations in the excess benefit amounts from expectations.

At December 31, 2022, the City of Yakima reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fire Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Total	<u>\$ —</u>	<u>\$ —</u>

Deferred outflows of resources related to pensions resulting from the City of Yakima's payments subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2022. There are no deferred outflows as of December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Amount
2023	\$ —
2024	—
2025	—
2026	—
2027	—
Thereafter	—

POLICE PENSION

AGGREGATE PENSION AMOUNTS - POLICE

Pension liabilities	\$ 2,747,211
Pension assets	—
Deferred outflows of resources	—
Deferred inflows of resources	—
Pension expense/expenditures	(450,735)

The City has a single employer, defined benefit pension plan for Police Officers employed prior to March 1, 1970, and governed by [RCW 41.20](#) and [RCW 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. The number of inactive, retired members and survivors covered by the benefit terms is 45, with a combined monthly pension of \$15,759 paid by the City. Cost of Living Adjustment (COLA) was 6.19% and Collective Bargaining Agreement (CBA) was 5.5%. There are no active members covered by the benefit terms; 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, 2022, 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, 2022. 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.

The total pension liability was determined by an actuarial measurement date of December 31, 2022 the valuation date, calculated based on the discount rate and actuarial assumptions below.

- Inflation - 2.50%
- Salary increases, including inflation - 3.50%
- Mortality - Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.
- Actuarial cost method - Entry age normal

The following presents the total pension liability of the City, calculated using the discount rate of 3.75%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1% point lower (2.75%) or 1% point higher (4.75%) than the current rate.

		Current Discount	
	1% Decrease	Rate	1% Increase
	2.75%	3.75%	4.75%
Total Pension Liability	\$ 2,952,566	\$ 2,747,211	\$ 2,565,366

Pension Expenses

For the year ended December 31, 2022, the pension expense is (\$450,735).

Total Pension Liability

Due to the implementation of GASB 73, the City is now required to report the pension liability of this single employee non-trust pension plan. The City recognizes its total pension liability, rather than a net pension liability. In order for the City to recognize a net pension liability, assets must be accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

No assets are accumulated in a trust that meets all of the above criteria because the City's contributions are not irrevocable. Accordingly, the City's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the City must report its total pension liability.

The City's total pension liability was determined by an actuarial valuation as of the measurement date of December 31, 2022. Changes in the City's total pension liability were as follows:

Police Pension	Total Pension Liability
Balances at 12/31/2021	\$ 3,492,482
Changes for the year:	
Interest on total pension liability	66,560
Effect of economic/ demographic gains or losses	(205,121)
Effect of assumptions changes or inputs	(312,174)
Benefit payments	(294,536)
Net changes in total pension liability	(745,271)
Balance at 12/31/2022	\$ 2,747,211

The liability has decreased since the last valuation. This is due to the change in the discount rate used to discount the projected benefit payments into a present value. This discount rate increased from 2.00% to 3.75%.

The Plan remains sensitive to demographic experience that deviates from expectations due to the small size of the Plan membership. The Plan also remains sensitive to deviations in the excess benefit amounts from expectations.

At December 31, 2022, the City of Yakima reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Total	\$ —	\$ —

Deferred outflows of resources related to pensions resulting from the City of Yakima's payments subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2022. There are no deferred outflows as of December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Amount
2023	\$ —
2024	—
2025	—
2026	—
2027	—
Thereafter	—

NOTE 12 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) DEFINED PENSION PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022.

AGGREGATE AMOUNTS - ALL OPEB PLANS

OPEB liabilities	\$ 42,125,595
OPEB assets	—
Deferred outflows of resources	403,650
Deferred inflows of resources	(3,213,247)
OPEB expense/expenditures	(8,464,138)

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 2022, the costs totaled \$609,028 for the Firemen's Pension and \$372,022 for the Police Pension.

Mortality

The mortality assumptions used in this valuation are based on the most recent Experience Study done for the LEOFF Retirement System as prepared by the Office of the State Actuary.

Mortality rates are expected to continue to decrease in the future, and the resulting longevity should be anticipated in the actuarial valuation. This is done through the use of a generational mortality table. A generational mortality table anticipates future improvements in mortality by using a different static mortality table for each year of birth, with the tables for later years of birth assuming lower mortality than the tables for earlier years of birth.

Members Retired from Service and Spouses:

The mortality rates are based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females.

Disabled Members:

The mortality rates are based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set forward two years.

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' (LEOFF 1) OPEB

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.

The number of inactive, retired members and survivors, covered by the benefit terms is 97. There are no active members covered by the benefit terms.

Funding Policy

Funding for LEOFF retiree health care 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, and there are no assets accumulated in a qualifying trust.

FIRE OPEB

Assumptions and Other Inputs

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 total OPEB liability was determined by an actuarial valuation as of the valuation date of January 1, 2022, calculated based on the discount rates below, and then projected to the measurement date of December 31, 2022. There have been no significant changes between the valuation date and fiscal year ends. If there were significant changes, an additional analysis or valuation might be required.

The following presents the total OPEB liability of the City of Yakima calculated using the discount rate of 3.75%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.75%) or 1% point higher (4.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.75%	3.75%	4.75%
Total December 31, 2022 OPEB liability	\$ 21,519,021	\$ 19,031,764	\$ 16,960,355

The following presents the total OPEB liability of the City of Yakima calculated using the current healthcare cost trend rates, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate.

	Current Healthcare Cost Trend		
	1% Decrease	Rate	1% Increase
Total December 31, 2022 OPEB liability	\$ 17,114,614	\$ 19,031,764	\$ 21,258,051

The number of inactive, retired members and survivors, covered by the benefit terms is 52. There are no active members covered by the benefit terms.

CHANGES IN FIRE OPEB LIABILITY

	Total OPEB Liability
Fire OPEB	
Total OPEB liability - Beginning	\$ 23,813,442
Service cost	—
Interest on total OPEB liability	468,316
Effect of economic/demographic gains or losses	582,178
Effect of assumptions, changes or inputs	(5,032,894)
Expected benefit payments	(799,278)
Net change in total OPEB liability	(4,781,678)
Total OPEB liability - ending	<u>\$ 19,031,764</u>

CHANGES IN FIRE OPEB EXPENSE

	Jan. 1, 2022 to Dec. 31, 2022
OPEB Expense	
Interest on total OPEB liability	\$ 468,316
Effect of plan changes	—
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	582,178
Effect of assumptions changes or inputs	(5,032,894)
OPEB Expense	<u>\$ (3,982,400)</u>

At December 31, 2022, the City of Yakima reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Fire OPEB		
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Total	<u>\$ —</u>	<u>\$ —</u>

Deferred outflows of resources of \$0 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts

reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	
December 31	Amount
2023	\$ —
2024	—
2025	—
2026	—
2027	—
Thereafter	—

POLICE OPEB

Assumptions and Other Inputs

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 total OPEB liability was determined by an actuarial valuation as of the valuation date of January 1, 2022, calculated based on the discount rates below, and then projected to the measurement date of December 31, 2022. There have been no significant changes between the valuation date and fiscal year ends. If there were significant changes, an additional analysis or valuation might be required.

The following presents the total OPEB liability of the City of Yakima calculated using the discount rate of 3.75%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.75%) or 1% point higher (4.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.75%	3.75%	4.75%
Total December 31, 2022 OPEB liability	\$ 19,293,858	\$ 17,111,639	\$ 15,282,302

The following presents the total OPEB liability of the City of Yakima calculated using the current healthcare cost trend rates, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total December 31, 2022 OPEB liability	\$ 15,425,816	\$ 17,111,639	\$ 19,056,012

The number of inactive, retired members and survivors, covered by the benefit terms is 45. There are no active members covered by the benefit terms.

CHANGES IN POLICE OPEB LIABILITY

	Total OPEB Liability
Police OPEB	
Total OPEB liability - Beginning	\$ 22,500,246
Interest on total OPEB liability	443,518
Effect of economic/demographic gains or losses	(1,276,779)
Effect of assumptions, changes or inputs	(3,903,426)
Expected benefit payments	(651,920)
Net change in total OPEB liability	(5,388,607)
Total OPEB liability - ending	<u>\$ 17,111,639</u>

CHANGES IN POLICE OPEB EXPENSE

	Jan. 1, 2022 to Dec. 31, 2022
OPEB Expense	
Interest on total OPEB liability	\$ 443,518
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(1,276,779)
Effect of assumptions changes or inputs	(3,903,426)
OPEB Expense	<u>\$ (4,736,687)</u>

At December 31, 2022, the City of Yakima reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Police OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Total	<u>\$ —</u>	<u>\$ —</u>

Deferred outflows of resources of \$0 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	Amount
2023	\$ —
2024	—
2025	—
2026	—
2027	—
Thereafter	—

NON-LEOFF I OPEB

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 \$887.52 per month for pre-65 Medical coverage for 2022. If a retiree chooses to cover his spouse and/or eligible family an amount of \$2,074.38 per month for pre-65 Medical coverage was paid in 2022.

Funding Policy

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

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 total OPEB liability was determined by an actuarial valuation as of the valuation date of January 1, 2022, calculated based on the discount rates below, and then projected to the measurement date of December 31, 2022. There have been no significant changes between the valuation date and fiscal year ends. If there were significant changes, an additional analysis or valuation might be required.

The following presents the total OPEB liability of the City of Yakima calculated using the discount rate of 3.75%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.75%) or 1% point higher (4.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.75%	3.75%	4.75%
Total December 31, 2022 OPEB liability	\$ 6,440,575	\$ 5,982,192	\$ 5,550,379

The following presents the total OPEB liability of the City of Yakima calculated using the current healthcare cost trend rates, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total December 31, 2022 OPEB liability	\$ 5,296,888	\$ 5,982,192	\$ 6,792,190

The number of inactive, retired members and survivors, covered by the benefit terms is 55. There are no active members covered by the benefit terms.

CHANGES IN NON-LEOFF OPEB LIABILITY

	Total OPEB Liability
Non-LEOFF OPEB	
Total OPEB liability - Beginning	\$ 6,425,956
Service cost	460,129
Interest on total OPEB liability	134,073
Effect of economic/demographic gains or losses	232,008
Effect of assumptions, changes or inputs	(903,271)
Expected benefit payments	(366,703)
Net change in total OPEB liability	(443,764)
Total OPEB liability - ending	<u>\$ 5,982,192</u>

CHANGES IN NON-LEOFF OPEB EXPENSE

	Jan. 1, 2022 to Dec. 31, 2022
OPEB Expense	
Service cost	\$ 460,129
Interest on total OPEB liability	134,073
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(192,129)
Effect of assumptions changes or inputs	(147,124)
OPEB Expense	<u>\$ 254,949</u>

At December 31, 2022, the City of Yakima reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Non-LEOFF OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 211,293	\$ (1,766,610)
Changes of assumptions	192,357	(1,446,637)
Total	<u>\$ 403,650</u>	<u>\$ (3,213,247)</u>

Deferred outflows of resources of \$0 resulting from payments subsequent to the measurement date will have no affect on the total OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	Amount
2023	\$ (339,253)
2024	(339,253)
2025	(339,253)
2026	(339,253)
2027	(339,253)
Thereafter	(1,113,332)

UNFUNDED POSTEMPLOYMENT BENEFIT LIABILITIES

An initial actuarial evaluation was performed as of January 1, 2022. By State statute, the City is required to provide health care 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 1/1/22	Additions	Balance 12/31/22
OPEB Fire - medical	\$ 23,813,442	\$ (4,781,678)	\$ 19,031,764
OPEB Police - medical	22,500,246	(5,388,607)	17,111,639
OPEB Non-LEOFF - medical	6,425,956	(443,764)	5,982,192
Total	<u>\$ 52,739,644</u>	<u>\$ (10,614,049)</u>	<u>\$ 42,125,595</u>

The Police OPEB and Fire OPEB are paid out of a department in the General 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 to the actuarially determined contribution.

See [State \(DRS\) Pension Plans](#) and [Defined Benefit Pension Plans](#) notes for additional information on the pension funds, and the [Other Post Employment Benefit \(OPEB\)](#) note for additional information on Other Postemployment Benefits.

NOTE 13 – RISK MANAGEMENT

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 \$5,673,631. 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 re-evaluated 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. The City has not experienced any claims exceeding insurance coverage limits in the past three years. Based on these factors, the claims manager’s estimate of claims liability at December 31, 2022, is \$2,621,770.

The Risk Management fund balance was \$3,884,911 at the end of 2022.

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 up to a \$100,000 per occurrence deductible, depending on the nature of the claim.

Cities Insurance Association of Washington (CIAW)

[RCW 48.62](#) 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. The CIAW insurance pool is administered by Clear Risk Solutions. 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 of Yakima became an associate member effective December 14, 2005, and became a member effective September 1, 2010. As of December 31, 2021, there were over 200 members in the program. The City's participation in the CIAW insurance pool expired November 30, 2019, though CIAW continues to provide coverage for covered incidents that occurred before November 30, 2019.

Coverage – The City of Yakima has a \$100,000 deductible, and the CIAW pool is responsible for claims between \$100,000 and \$200,000, while insurance covers insured losses over \$200,000 to the limits of each policy.

Safety National Insurance Company

As of December 31, 2019, the City of Yakima purchases liability insurance from Safety National Insurance Company, including general, auto, public officials, and law enforcement liability, as well as cyber insurance. Additionally, the City purchases excess liability layers through Safety National, Princeton, and Arch insurance companies. The City's total policy limits depends on the type of coverage.

Coverage - The policy limits vary by coverage type, with \$15,000,000 per occurrence and \$25,000,000 policy aggregate for general liability, and \$15,000,000 per occurrence and \$20,000,000 policy aggregate for law enforcement liability. Deductibles under the policy also vary by coverage type, and are either \$500,000 or \$750,000.

Washington State Transit Insurance Pool (WSTIP)

WSTIP is a 25-member self-insurance program with public transit members who provide transit services and is located in Olympia, Washington. The City of Yakima Transit Division is insured for liability insurance through the WSTIP, and has been a member since September 1, 2005. WSTIP supplies Yakima Transit auto liability, general liability, and public officials' liability coverage.

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. The per occurrence and aggregate limits of liability of the liability coverage through WSTIP are \$20,000,000. Since joining on September 1, 2005, the City of Yakima Transit Division has not presented any claims to WSTIP that exceeded its coverage limits.

SELF INSURANCE

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 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. Accrual rates have been .38% of gross payroll. Interfund premiums are based primarily upon the insured funds claims experience and are reported as quasi external interfund transactions - these totaled \$231,851 for 2022. The reserve balance at the end of 2022 was \$395,189.

Medical & Dental Coverage

In August, 1979, the City 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 (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 HUB International, 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 2022 were \$12,059,405. The reserve balance at the end of 2022 was \$1,642,598, after considering incurred but not reported claims of \$2,480,400 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, provided through Sun Life and Aetna respectively. Under the individual stop loss insurance, the City pays the first \$275,000 of claims for an individual employee or dependent. Any charges accrued by an individual in excess of \$275,000 in a calendar year are thereafter reimbursed through the insurer. The aggregate stop loss is designed to protect the City from multiple large claims which may not reach the individual stop loss attachment point. 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 Penser, NA.

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 \$1,864,204. The reserve balance at the end of 2022 was \$(651,531) after considering, based on the claims manager's estimate, the accrual for incurred but not reported claims of \$750,000 at December 31, 2022.

In order to avoid catastrophic losses, the City "reinsures" the program by purchasing insurance known as "stop loss" insurance. This insurance is provided through Payne West Insurance under a policy purchased from Safety National Casualty Corporation. Under the individual stop loss coverage, the City pays the first \$750,000 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.

NOTE 14 – CHANGES IN LONG-TERM LIABILITIES

The following schedule of long-term debt provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2022.

LONG-TERM LIABILITIES

	Balance		Payments/	Balance	Amounts	
	1/1/2022	Additions	Retirements	12/31/2022	Due Within	Noncurrent
					One Year	Portion
Governmental activities						
General obligation debt						
Bonds	\$ 37,793,153	\$ —	\$ 3,033,550	\$ 34,759,603	\$ 2,955,037	\$ 31,804,566
Unamortized premium (discount)	1,045,916	—	176,905	869,011	—	869,011
Intergovernmental loans	5,446,612	—	510,251	4,936,361	580,350	4,356,011
Other liabilities ²	2,400,786	—	254,371	2,146,415	—	2,146,415
Lease purchase agreements	2,890,193	—	323,778	2,566,415	341,514	2,224,901
Net pension liability	11,346,101	317,716	—	11,663,817	—	11,663,817
Total OPEB liability	51,072,593	(10,451,532)	—	40,621,061	1,725,675	38,895,386
Compensated absences	9,036,981	(64,939)	—	8,972,042	795,548	8,176,494
Total liabilities - governmental activities	121,032,335	(10,198,755)	4,298,855	106,534,725	6,398,124	100,136,601
Business-type activities						
Revenue debt						
Revenue bonds	7,180,000	—	1,580,000	5,600,000	1,645,000	3,955,000
Unamortized premium (discount)	434,288	—	116,012	318,276	—	318,276
Intergovernmental loans	14,212,648	—	1,488,174	12,724,474	1,489,640	11,234,834
Net pension liability	913,672	1,093,309	—	2,006,981	—	2,006,981
Total OPEB liability	1,667,051	(162,517)	—	1,504,534	92,226	1,412,308
Compensated absences	1,700,620	135,290	—	1,835,910	179,454	1,656,456
Noncurrent liabilities - business-type	26,108,279	1,066,082	3,184,186	23,990,175	3,406,320	20,583,855
Total noncurrent liabilities	\$ 147,140,614	\$ (9,132,673)	\$ 7,483,041	\$ 130,524,900	\$ 9,804,444	\$ 120,720,456

NOTE 15 – LONG-TERM DEBT

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	Cumulative
		Section	Limit
General purpose			
Without a vote (includes capital leases)	1.5%		
With a vote	1.0%	2.5%	2.5%
Utilities purpose		2.5%	5.0%
Open space and parks facilities		2.5%	7.5%
Total legal limit		7.5%	

² In 2003, the City was authorized to administer a Housing and Urban Development (HUD) Section 108 Loan program. The nature of this program is the City approves qualified projects for the loan within HUD guidelines. 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. As of December 31, 2022, there is only one HUD 108 loan with an outstanding liability of \$2.146 million.

The basic percentages for general purpose debt are the maximum levels of indebtedness those sections may incur. However, utility or parks indebtedness may each exceed 2.5% and reduce the general indebtedness margin. The percentages are applied to the taxable assessed value (regular levies) of about \$8.8 billion, resulting in the debt limits, as of December 31, 2022, for the City as follows:

CUMULATIVE DEBT LIMITS

Assessed valuation of taxable property in the
City of Yakima - tax year 2022

\$8,788,218,938

	Without a Vote				With a Vote			
	General Purpose		General Purpose		Utilities		Open Space & Parks	
	1.5%		+1.0%=2.5%		+2.5%=5.0%		+2.5%=7.5%	
Legal limit - percent of assessed valuation	\$	131,823,284	\$	219,705,473	\$	439,410,947	\$	659,116,420
Less: net outstanding indebtedness (see below)		30,508,255		30,508,255		30,508,255		30,508,255
Margin available	\$	101,315,029	\$	189,197,218	\$	408,902,692	\$	628,608,165
Net outstanding indebtedness								
Outstanding debt	\$	43,131,391						
Less: available resources to repay debt		12,623,136						
Net outstanding indebtedness	\$	30,508,255						

There have been no material violations of finance related legal or contractual provisions in any of the funds of the City. We believe the City to be in compliance with applicable IRS & SEC regulations.

GENERAL OBLIGATION DEBT

General obligation bonds consist of serial and term bonds, to be retired through the fiscal year ending December 31, 2044. 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.

GENERAL OBLIGATION BONDS

	Date of Final Maturity	Interest Rate	Original Issue	Outstanding 12/31/2022	Average Annual Debt Service
Regular property tax levy					
2020 Refunded Fire Ladder Truck	12/01/21	3.0%	\$ 140,000	\$ —	\$ —
2014 Street Resurfacing Project	06/01/24	3.0% - 5.0%	13,140,000	3,140,000	1,649,125
2018 Street Resurfacing Project (Refunding)	12/01/28	3.25% - 3.85%	3,500,000	2,131,594	399,664
2018 Yakima Sports Complex (Refunding)	06/01/35	4.85%	4,440,127	3,687,226	436,424
2018 Aquatic Center YMCA	12/01/42	4.85%	8,009,873	7,858,022	627,047
Total regular property tax levy			29,230,000	16,816,842	
Regular property tax levy/real excise tax					
2020 Refunded WV Fire Station	12/01/22	3.0%	140,000	—	70,298
2020 Refunded Downtown Futures	12/01/22	3.0%	260,000	—	130,553
Total regular property tax levy/real excise tax			400,000	—	

GENERAL OBLIGATION BONDS

	Date of Final Maturity	Interest Rate	Original Issue	Outstanding 12/31/2022	Average Annual Debt Service
Public Facilities District (state sales tax credit)					
2020 Refunded Conv Center	12/01/44	2.20% - 4.083%	2,495,000	2,310,000	156,765
2020 Conv Center Addition	12/01/44	2.20% - 4.083%	12,620,000	11,685,000	792,880
2020 Refunded Capital Theatre	12/01/32	2.20% - 4.083%	4,910,000	3,890,000	459,252
Total Public Facilities District			20,025,000	17,885,000	
Business licenses & real estate excise tax					
2003 SunDome Expansion	12/01/23	2.34%-4.72%	1,430,528	57,762	148,967
			<u>\$ 51,085,528</u>	<u>\$ 34,759,604</u>	

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.

INTERGOVERNMENTAL LOANS

	Interest	Maturity Date	Maximum Authorized	Outstanding 12/31/2022
General long-term debt				
Arterial street gas tax				
PC-08-951-052 - 2009 Railroad grade separation	0.5%	06/01/28	\$ 3,000,000	\$ 990,602
2015 SIED Loan - 2015 Yakima County SIED loan	2.4%	06/01/23	307,000	56,706
2016 SIED Loan - 2016 Yakima County SIED loan	2.6%	06/01/27	900,000	491,603
2017 SIED Loan - YV Brewing Project	3.2%	06/01/24	61,580	27,016
2018 SIED Loan - River Road	3.8%	06/01/29	500,000	380,436
2021 SIED Loan - SOZO	2.4%	06/01/32	1,000,000	1,000,000
Real estate excise tax				
L1000030-0 - 2010 Railroad grade separation	2.9%	06/01/34	1,229,295	819,997
General fund telephone utility tax - Yakima County				
Comm Ctr 911 - 2014 City Portion of 911 Call Dispatch Center	2.0% - 4.0%	05/01/34	1,716,500	1,170,000
Sub-total general long-term debt				<u>4,936,360</u>
Revenue debt				
Wastewater operating revenue				
PW-05-691-064 - 2005 River Road sewer	0.5%	06/01/25	2,307,000	372,737
PW-07-962-019 - 2007 Ultra violet disinfection	0.5%	06/01/27	2,300,000	606,944
PC-12-951-065 - 2012 Wastewater Treatment Plan	0.3%	06/01/31	5,000,000	2,421,712
PC-13-961-059 - 2012 Industrial sewer main extensions	0.5%	06/01/37	2,000,000	1,220,096
PC20-96103-044 2021 Waterline Improvement	1.1%	06/01/39	1,740,000	1,641,356
L1100008 - 2011 Energy efficiency project	2.8%	03/31/33	516,192	314,660
L1200019 - 2012 Industrial waste anaerobic	2.6%	07/01/34	602,634	403,674

INTERGOVERNMENTAL LOANS

	Interest	Maturity Date	Maximum Authorized	Outstanding 12/31/2022
Water operating revenue				
PW-03-691-027 - 2003 Naches WTP improvements	0.5%	06/01/23	2,559,775	134,725
SRF-04-65104-037 - 2005 Naches River WTP filter rehabilitation	0.5%	10/01/25	894,380	141,218
PC-08-951-051 - 2009 New water well	0.5%	06/01/28	2,257,200	726,893
PC-13-961-074 - 2013 Automated reading system	0.3%	06/01/32	5,000,000	2,631,579
DM-11-952-038 - 2013 Design WTP lagoons	1.5%	10/01/34	3,480,000	2,108,880
Sub-total revenue debt				<u>12,724,474</u>
Total intergovernmental loans				<u><u>\$ 17,660,834</u></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 annually. 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 / INTERGOVERNMENTAL DEBT SERVICE (In Thousands)

Year ended December 31	Bonded Debt	Interest	Notes & Contracts	Interest
2023	\$ 2,955	\$ 1,467	\$ 580	\$ 151
2024	3,099	1,256	567	107
2025	1,548	1,165	562	94
2026	1,595	1,111	576	82
2027	1,653	1,053	590	70
2028-2032	7,552	4,411	1,713	186
2033-2037	6,411	3,034	348	16
2038-2042	8,163	1,429	—	—
2043-2045	1,785	110	—	—
	<u>\$ 34,761</u>	<u>\$ 15,036</u>	<u>\$ 4,936</u>	<u>\$ 706</u>

At December 31, 2022, the City had \$240,767 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.

REVENUE BONDS

Wastewater and 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 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

	Date of Final Maturity	Interest Rate	Original Issue	Outstanding 12/31/2022	Average Annual Debt Service
2020A Irrigation 04 Refunded	12/01/34	3.0	\$ 3,260,000	\$ 2,720,000	\$ 273,135
2020A Wastewater 08 Refunded	12/01/27	3.0	2,590,000	1,760,000	383,942
2012 Wastewater Rev Bonds (refund 2003)	11/01/23	2.0% - 4.0%	9,400,000	1,120,000	1,163,800
			<u>\$ 15,250,000</u>	<u>\$ 5,600,000</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 (In Thousands)

Year ended December 31	Bonded Debt	Interest	Notes & Contracts	Interest
2023	\$ 1,645	\$ 179	\$ 1,490	\$ 97
2024	540	119	1,356	87
2025	560	102	1,358	78
2026	570	86	1,188	69
2027	585	69	1,190	61
2028-2032	1,180	187	4,615	189
2033-2037	520	24	1,334	43
2038-2041	—	—	193	3
	<u>\$ 5,600</u>	<u>\$ 766</u>	<u>\$ 12,724</u>	<u>\$ 627</u>

At December 31, 2022, the City had \$1.6 million in restricted net position for debt service for the enterprise funds. These are in compliance with reserve requirements as contained in the various indentures.

FINANCING AGREEMENTS

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.

Listed below are LOCAL program debt issuances:

- 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 September 28, 2017 the City of Yakima borrowed \$2,189,736 using Washington State's Local Option Capital Lending (LOCAL) program. The proceeds were used to add new lighting fixtures and upgrade existing fixtures, approved by City Council on April 16, 2013. The certificates of participation have an all-inclusive financing cost of 1.76% and will be repaid annually over the next 10 years out of General Fund. In 2018, due to ongoing legal issues with the contractor for the LED Streetlights project, a substitution was requested and approved by the LOCAL program to use a portion of the proceeds to finance a Fire Aerial & Pump.

- On July 21, 2020 the City of Yakima borrowed \$1,415,000 using Washington State's Local Option Capital Lending (LOCAL) program. The proceeds were used to finish adding new lighting fixtures and to upgrade existing fixtures, and was approved by City Council on May 5, 2020. The certificates of participation have an all-inclusive financing cost of 1.63% and will be repaid annually over the next 15 years out of General Fund.

EQUIPMENT

Equipment	
Fire Apparatus	\$ 38,259
Energy Project (Lighting)	523,258
Fire Aerial & Pump	719,899
Energy Efficiency Project	1,285,000
Total	<u>\$ 2,566,416</u>

As of December 31, 2022, the principal and interest requirements to maturity are as follows:

EQUIPMENT PAYMENTS

2023	\$ 440,556
2024	397,305
2025	400,647
2026	402,705
2027	403,278
2028-2032	663,875
2033-2035	403,625
Total minimum lease payments	3,111,991
Less: Amount representing interest	545,575
Present value of minimum lease payments	<u>\$ 2,566,416</u>

NOTE 16 – SEGMENT INFORMATION

Investors in the revenue bonds rely on the revenue generated by Wastewater activities for repayment. Investors in irrigation revenue bonds rely solely on the revenue generated from the irrigation utility for repayment. Summary financial information is as follows:

SEGMENT INFORMATION

	<u>Wastewater</u>	<u>Irrigation</u>
Condensed statement of net position		
Assets		
Current Assets	\$ 35,073,778	\$ 4,741,436
Restricted assets	1,600,000	—
Capital assets, net of accumulated depreciation	71,639,641	36,617,032
Total assets	<u>108,313,419</u>	<u>41,358,468</u>
Deferred outflows of resources	1,145,122	242,318
Total assets & deferred outflows of resources	<u>109,458,541</u>	<u>41,600,786</u>

SEGMENT INFORMATION

	<u>Wastewater</u>	<u>Irrigation</u>
Liabilities		
Current liabilities	3,641,463	5,332,199
Noncurrent liabilities	7,872,459	2,916,728
Total liabilities	<u>11,513,922</u>	<u>8,248,927</u>
Deferred inflows of resources	1,366,669	206,453
Total liabilities & deferred inflows of resources	<u>12,880,591</u>	<u>8,455,380</u>
Net position		
Net investment in capital assets	62,166,011	33,113,366
Restricted	2,625,494	155,121
Unrestricted	31,786,445	(123,081)
Total net position	<u>\$ 96,577,950</u>	<u>\$ 33,145,406</u>
Condensed statement of revenues, expenses and changes in net position		
Operating revenues		
Charges and fees for services	\$ 24,668,251	\$ 3,542,950
Other operating revenue	20,446	283
Total operating revenues	<u>24,688,697</u>	<u>3,543,233</u>
Operating expenses		
Personnel services	4,812,063	709,050
Materials and supplies	1,248,304	81,059
Contractual services	10,033,353	1,029,559
Depreciation	4,523,732	527,753
Total operating expense	<u>20,617,452</u>	<u>2,347,421</u>
Operating income (loss)	4,071,245	1,195,812
Nonoperating revenues (expense)		
Grants and subsidies	4,177	5,715,800
Interest revenue	6,005	—
Other nonoperating revenues	18,894	—
Interest & other debt service costs	(133,548)	(114,758)
Total nonoperating revenue (exp)	<u>(104,472)</u>	<u>5,601,042</u>
Income (loss) before contributions & transfers	3,966,773	6,796,854
Capital contributions	1,219,579	—
Operating transfers (net)	(84,448)	—
Change in net position	<u>5,101,904</u>	<u>6,796,854</u>
Net position - beginning	91,462,831	26,348,552
Error correction	13,214	—
Net position - ending	<u>\$ 96,577,949</u>	<u>\$ 33,145,406</u>

SEGMENT INFORMATION

	<u>Wastewater</u>	<u>Irrigation</u>
Condensed statement of cash flows		
Net cash provided (used)		
Operating activities	\$ 10,395,142	\$ 3,662,785
Non-capital financing activities	10,182	9,015,491
Capital financing activities	(3,676,206)	(14,442,709)
Investing activities	(2,910,501)	764,231
Net increase (decrease)	<u>3,818,617</u>	<u>(1,000,202)</u>
Beginning cash and cash equivalents	14,945,866	3,404,513
Ending cash and cash equivalents	<u>\$ 18,764,483</u>	<u>\$ 2,404,311</u>

NOTE 17 – LEASES (LESSORS)

The City is a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of future payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date that relate to future periods. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease plus any lease extension options that are considered reasonably certain of being exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed and variable payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

GENERAL DESCRIPTION OF LEASE ARRANGEMENT

Lease Title	Lease Type	Measurement Date	Leased Asset	Lease Terms (Months)	Interest Rate	Extension Options ³	Fixed Payments (Monthly)
McCormick Lease #2	Lessor	01/01/22	Land	392	2.583%	1 option of 120 months	\$ 3,712.73
McCormick Lease #3	Lessor	01/01/22	Land	360	2.583%	1 option of 120 months	962.57
McCormick Lease #5	Lessor	01/01/22	Land	381	2.583%	1 option of 120 months	566.72
McCormick Lease #6	Lessor	01/01/22	Land	393	2.583%	3 options of 120 months each	1,277.69
McCormick Lease #8	Lessor	01/01/22	Land	575	2.583%	2 options of 120 months each	446.06
CAS Properties	Lessor	01/01/22	Land	261	2.463%	1 option of 79 months	1,416.61
McAllister Museum	Lessor	01/01/22	Land	342	2.553%	1 option of 120 months	651.28
Jim DBA Cub Crafters	Lessor	01/01/22	Land	300	2.066%	1 option of 120 months	985.56
DA Arthur #2	Lessor	01/01/22	Land	365	2.583%	2 options of 120 months each	607.06
Airport Business Park LLC	Lessor	01/01/22	Land	699	2.583%	7 options of 60 months each	2,500.00
Yakima Airpark LLC (A)	Lessor	01/01/22	Land	406	2.583%	1 option of 120 months	1,680.17
Yakima Airpark LLC (B)	Lessor	01/01/22	Land	406	2.583%	1 option of 120 months	482.65
Yakima Airport Maxi Space	Lessor	01/01/22	Land	294	1.992%	1 option of 120 months	972.67
Richmond Parking Lot	Lessor	01/01/22	Land	400	2.583%	1 option of 120 months	596.20
Richmond #3 Tract C-1	Lessor	01/01/22	Buildings	489	2.583%	1 option of 120 months	808.78
DA Arthur #1	Lessor	01/01/22	Buildings	501	2.583%	No extension options	531.47
Staci's Catering	Lessor	01/01/22	Buildings	130	1.146%	1 option of 84 months	636.69
US Gov't GSA/TSA Lease	Lessor	01/01/22	Buildings	191	2.139%	1 option of 120 months	2,128.78
McCurley Fruitvale Property ⁴	Lessor	09/07/22	Buildings	24	2.536%	1 option of 12 months	33,975.00

Lease fixed monthly payments are subject to reviews and modifications periodically. Richmond Parking Lot, Yakima Airport Maxi Space, McCormick #2, #3, #5, #8, Jim DBA Cub Crafters, Yakima Airpark LLC (A), Yakima Airpark LLC (B) and McAllister lease payments are to be reviewed every two (2) year anniversary and be set at then current aviation or commercial rates as stated in the respective lease contracts. CAS Properties and DA Arthur #1 lease payments are to be reviewed every five (5) year anniversary and be set at the then commercial rate. Staci's Catering, McCurley Fruitvale Property, Airport Business Park LLC, and US Gov't GSA/TSA Lease have set payment schedule with set increments. Richmond #3 Tract C-1, McCormick #6, and DA Arthur #2 lease payments are to be reviewed annually and be set at either CPI rate or when rates change.

³ All extension options were considered reasonably certain of being exercised due to history of renewals and limited options for lessee. Extension periods are included in the lease terms.

⁴ Sale-Leaseback agreement where City is the buyer-lessor.

FINANCIAL LEASE INFORMATION

Lease Title	Lease Receivable at Measure Date	Lease Receivable as of 12/31/22	FY-22 Lease Revenue	FY-22 Interest Revenue	Def. Inflow at Measure Date	Def. Inflow as of 12/31/22	Inflows not in Lease Receivable ⁵
McCormick Lease #2	\$ 984,462	\$ 962,941	\$ (30,137)	\$ (23,031)	\$ (984,462)	\$ (954,326)	\$ (5,721)
McCormick Lease #3	241,337	235,584	(8,045)	(5,798)	(241,337)	(233,292)	(1,483)
McCormick Lease #5	147,457	144,202	(4,644)	(3,546)	(147,457)	(142,813)	(873)
McCormick Lease #6	339,122	331,947	(10,355)	(8,158)	(339,122)	(328,767)	(1,969)
McCormick Lease #8	147,254	145,460	(3,073)	(3,558)	(147,254)	(144,181)	(687)
CAS Properties	286,304	275,960	(13,163)	(6,521)	(286,304)	(273,141)	(2,165)
McAllister Museum ⁶	158,368	154,310	(5,557)	(3,757)	(158,368)	(152,811)	(414)
Jim DBA Cub Crafters	231,048	223,644	(9,242)	(4,423)	(231,048)	(221,806)	(1,519)
DA Arthur #2	153,596	150,002	(5,050)	(3,691)	(153,596)	(148,546)	(935)
Airport Business Park LLC	902,503	896,306	(15,494)	(21,303)	(902,503)	(887,009)	(3,531)
Yakima Airpark LLC (A)	455,203	445,997	(13,454)	(10,955)	(455,203)	(441,749)	(2,589)
Yakima Airpark LLC (B)	130,763	128,118	(3,865)	(3,147)	(130,763)	(126,898)	(744)
Yakima Airport Maxi Space	226,393	218,897	(9,241)	(4,176)	(226,393)	(217,152)	(1,499)
Richmond Parking Lot	160,022	156,718	(4,801)	(3,850)	(160,022)	(155,221)	(919)
Richmond #3 Tract C-1	244,812	241,012	(6,008)	(5,905)	(244,812)	(238,804)	(1,246)
DA Arthur #1	170,989	168,661	(4,096)	(4,129)	(170,989)	(166,893)	(829)
Staci's Catering	100,356	93,700	(9,264)	(1,048)	(100,356)	(91,092)	(989)
US Gov't GSA/TSA Lease	377,395	361,117	(23,711)	(7,256)	(377,395)	(353,685)	—
McCurley Fruitvale Property	807,658	676,515	(127,879)	(4,757)	(807,658)	(679,779)	(17,450)
	<u>\$ 6,265,042</u>	<u>\$ 6,011,091</u>	<u>\$ (307,079)</u>	<u>\$ (129,009)</u>	<u>\$ (6,265,042)</u>	<u>\$ (5,957,965)</u>	<u>\$ (45,562)</u>

As of December 31, 2022, future lease receivable principal and interest payments are as follows:

PRINCIPAL AND INTEREST EXPECTED TO MATURITY

Year ended December 31	Business-Type Activities		
	Principal	Interest	Total
2023	\$ 522,265	\$ 143,266	\$ 665,531
2024	403,706	130,407	534,113
2025	129,827	124,756	254,584
2026	133,358	121,672	255,029
2027	137,110	118,506	255,616
2028-2032	748,745	541,679	1,290,425
2033-2037	790,029	450,036	1,240,065
2038-2042	737,243	356,244	1,093,487
2043-2047	729,192	262,714	991,906
2048-2052	682,596	173,063	855,658
2053-2057	355,775	99,414	455,189
2058-2062	185,177	71,170	256,346
2063-2067	131,321	50,465	181,786
2068-2072	126,591	33,668	160,259
2073-2077	132,647	17,353	150,000
2078-2080	65,508	1,992	67,500
	<u>\$ 6,011,090</u>	<u>\$ 2,696,405</u>	<u>\$ 8,707,494</u>

⁵ Leasehold tax.

⁶ McAllister Museum (lessee to the City) is given a monthly credit incentive of \$381.63. Payment before incentive \$1,032.91.

NOTE 18 – ASSET RETIREMENT OBLIGATIONS

In accordance with GASB Statement No. 83 the city is to report Asset Retirement Obligations (ARO's). ARO's are legally enforceable deferred outflows of resources that should be recognized in the financial statements. When both an external obligating event and an internal obligating event result from normal operations occur, the city must attempt to estimate the expected current value of outlays expected to be incurred.

The City of Yakima identified the following ARO's in 2022. However, the City's financial statements do not reflect ARO liabilities or associated deferred outflows with these assets for the estimable life cannot be determined or there is no remaining useful life.

Wastewater Treatment Plant: Disposal of these assets must be accomplished in accordance with Washington Administrative Code (WAC) 173-303-610 and site preservation or restoration in accordance with WAC chapter 463-72-080. The depreciable assets associated with this operation were buildings, these along with all other related assets are associated with maintenance costs or replacement of a component and do not fall under guidance of GASB 83. There is no formal written plan on the decommissioning of this asset, as the City plans on continuing its operation in perpetuity, therefore, the remaining life of its operations are not able to be estimated. Consequently, the City has not recognized an obligation for the costs that would be incurred in the event the City would cease its operations, as it is a remote event, making exact estimable remaining life undeterminable for liability calculation.

Wastewater Treatment Plant Biosolids Centrate Lagoon: Disposal of this asset must be accomplished in accordance with Washington Administrative Code (WAC) 173-303-610 and site preservation or restoration in accordance with WAC chapter 463-72-080. There is no formal written plan on the decommissioning of this asset, as the City plans on continuing its operation in perpetuity, therefore, the remaining life of its operations are not able to be estimated. Consequently, the City has not recognized an obligation for the costs that would be incurred in the event the City would cease its operations, as it is a remote event, making exact estimable remaining life undeterminable for liability calculation.

Water Treatment Plant: Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 173-303-610 and site preservation or restoration in accordance with Washington Administrative Code Chapter 463-72-080. The depreciable assets associated with this operation were buildings purchased and added on in 2004. These along with all other related assets, are associated with maintenance costs or replacement of a component and do not fall under guidance of GASB 83. There is no formal written plan on the decommissioning of this asset, as the City plans on continuing its operation in perpetuity, therefore, the remaining life of its operations are not able to be estimated. Consequently, the City has not recognized an obligation for the costs that would be incurred in the event the City would cease its operations, as it is a remote event, making exact estimable remaining life undeterminable for liability calculation.

Water Wells: Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 173-160-381. Several wells have been constructed by the City and have no remaining depreciable life. All water well assets are associated with maintenance costs, replacement of a component, or land (non-depreciable) and do not fall under the guidance of GASB 83. Consequently, the City has not recognized an obligation for the costs that would be incurred in the event the City would cease its well operations, as it is a remote event, making exact estimable remaining life undeterminable for liability calculation.

Underground Storage Fuel Tanks: Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 173-360A-0810. The City placed two 15,000-gallon tanks into service at the Public Works complex 29 years ago, these are double walled fiber glass tanks with no set expiration date. Both tanks at PW are in use until failure at which point our environmental fund source will replace. In addition, the City placed one 15,000-gallon tank double lined fiberglass and one 10,000-gallon steel tank into service at its 1st St./Lincoln Ave. Upon need for replacement, said assets shall be replaced/modified in accordance with WAC

173-360A-300 and funded by the City's Environmental Fund. The City has not recognized obligations since there is no remaining depreciable life therefore the City does not have an estimable liability.

NOTE 19 – POLLUTION REMEDIATION OBLIGATIONS

GASB Statement No. 49 provides guidance on accounting and financial reporting for Pollution Remediation Obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

The City of Yakima identified the following Pollution Remediation Obligations. However, the City's financial statements do not reflect pollution remediation liabilities or associated expenses with these obligations due the cleanup efforts not being estimable.

Interstate 82 Exit 33A Yakima City Landfill: Also known as the Millsite. The mutual objective of the State of Washington, Department of Ecology and the City under the Agreed Order 15861 is to provide for remedial action at Millsite where there has been a release or threatened release of hazardous substances. The Agreed Order requires the City to complete an interim action, an updated Conceptual Site Model, Feasibility Study, and Draft Cleanup Action Plan, for Millsite. Future estimated liabilities cannot be determined as the Conceptual Site Model, Feasibility Study, and Draft Cleanup Action Plan as required by Agreed Order have not been completed. Current plan for completion of those items is 2026 and beyond.

The City received \$8,700,000 in a Toxic Cleanup grant in 2020. That money was used to for the Interim Action work performed on Contract 2529 in 2021. Another \$3,000,000 Toxic Cleanup grant from DOE was awarded to the City in 2022. It will be used for cleanup efforts related to utility installations. Future recoveries cannot be determined as the City does not yet know the cleanup requirements or eligibility of future cleanup efforts.

Tiger Oil 24th Ave & W Nob Hill: When the City purchased the Tiger Oil – Nob Hill site it also became liable for the environmental contamination cleanup. The City has since sold the property, but remains responsible for the cleanup. The City entered into an Agreed Order 90-C140 with the Department of Ecology (DOE) that created a partnership between the City and DOE. DOE will provide cleanup funding with matching dollars coming from the City. DOE will lead the environmental cleanup efforts regarding design and implementation of any work to be done. Due to the nature of the cleanup efforts, neither the City, nor DOE, are able to estimate the time or cost of the cleanup efforts. DOE will continue to lead the effort with grant funding and engineering with the City providing matching funds and implementation of cleanup efforts. According to DOE, this site may never receive a "No Further Action" designation (full cleanup), however, the hope is to one day achieve a cleanup level that does not prohibit/inhibit development of the site.

Tiger Oil N 1st St: When the City purchased the Tiger Oil – N 1st Street site it also became liable for the environmental contamination cleanup. The City entered into an Agreed Order 19882 with the Department of Ecology (DOE) that created a partnership between the City and DOE. DOE will provide cleanup funding with matching dollars coming from the City. DOE will lead the environmental cleanup efforts regarding design and implementation of any work to be done. Due to the nature of the cleanup efforts, neither the City, nor DOE, are able to estimate the time or cost of the cleanup efforts. DOE will continue to lead the effort with grant funding and engineering with the City providing matching funds and implementation of cleanup efforts. The City and DOE hope to achieve a "No Further Action" designation (full cleanup) however that is dependent upon the success of the cleanup actions. It will take years to evaluate the effectiveness and whether or not additional work will be required.

NOTE 20 – TAX ABATEMENT

The City of Yakima provides tax abatements through two programs, the High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities referenced in [RCW 82.60.010](#), and the Multi-Unit Urban Housing Property Tax Exemption referenced in [RCW 84.14.020](#).

High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities

The legislature finds that there are several areas in the state that are characterized by very high levels of unemployment and poverty. The legislature further finds that economic stagnation is the primary cause of this high unemployment rate and poverty; that new state policies are necessary in order to promote economic stimulation and new employment opportunities in these distressed areas; and that policies providing incentives for economic growth in these distressed areas are essential. For these reasons, the legislature reestablishes a tax deferral program to be effective solely in distressed counties. The legislature declares that this limited program serves the vital public purpose of creating employment opportunities and reducing poverty in the distressed counties of the state.

Multi-Unit Urban Housing Property Tax Exemption

It is the purpose of this chapter to encourage increased residential opportunities, including affordable housing opportunities, in cities that are required to plan or choose to plan under the growth management act within urban centers where the governing authority of the affected city has found there is insufficient housing opportunities, including affordable housing opportunities. It is further the purpose of this chapter to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers having insufficient housing opportunities that will increase and improve residential opportunities, including affordable housing opportunities, within these urban centers. To achieve these purposes, this chapter provides for special valuations in residentially deficient urban centers for eligible improvements associated with multiunit housing, which includes affordable housing. It is an additional purpose of this chapter to allow unincorporated areas of rural counties that are within urban growth areas to stimulate housing opportunities and for certain counties to stimulate housing opportunities near college campuses to promote dense, transit-oriented, walkable college communities.

Tax Abatement Program	Amount of Taxes Abated
High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities	\$ 9,374
Multi-Unit Urban Housing Property Tax Exemption	14,538
	<u>\$ 23,912</u>

NOTE 21 – RELATED PARTY TRANSACTIONS

By Interlocal Agreement, the City of Yakima serves as fiscal agent for the Yakima Consortium for Regional Public Safety (YakCorps), a separate legal entity which serves to the benefit of citizens within the service area of participating jurisdictions. The 2011 agreement provides for the structure, governance, operations, funding and accounting for public safety activity within the jurisdictions of participating county, cities and fire districts: Grandview, Granger, Mabton, Moxee, Prosser, Selah, Sunnyside, Tieton, Toppenish, Union Gap, Yakima, Wapato, Zillah, Fire District #1 (Highland), Fire District #3 (Naches), Fire District # 4 (East Valley), Fire District #5 (Lower Valley), Fire District #6 (Gleed), Fire District #7 (Glade), Fire District #9 (Naches Heights), Fire District #12 (West Valley), Nile Fire District, and County of Yakima . All local public safety-related governmental agencies/ jurisdictions whose governing body is located within the geographic boundaries of Yakima County are eligible to become a member of the consortium. The Executive Board of the YakCorps consortium consists of seven member representatives of which one is the Mayor of the City of Yakima. The Operations Board of the YakCorps

consortium consists of eleven member representatives, of which three are the City's Police Chief, Fire Chief and 911 Director. Funding resources consist of annual assessments to the member agencies to allocate annual budgeted expenditures to operate and maintain a county-wide multi-discipline public safety system.

NOTE 22 – FUND BALANCE CLASSIFICATION

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, 2022.

FUND BALANCE

Fund Balance	General Fund	ARPA Fund	Other Gov't Funds	Total
Nonspendable				
Inventories and Prepayments	\$ 10,100	\$ —	\$ 191,461	\$ 201,561
Permanent fund	—	—	729,109	729,109
Total nonspendable	10,100	—	920,570	930,670
Restricted				
Emergency programs	—	—	204,613	204,613
Housing & economic development	—	—	1,204,804	1,204,804
Public safety	—	—	2,571,609	2,571,609
Debt service	—	—	223,141	223,141
Capital improvements	—	—	7,945,417	7,945,417
Other purposes	—	67,700	—	67,700
Tourism & conventions	—	—	2,855,643	2,855,643
Total restricted	—	67,700	15,005,227	15,072,927
Committed				
Public safety & emergency programs	1,587,704	—	—	1,587,704
Community relations	—	—	778,111	778,111
Parks and recreation	—	—	563,546	563,546
Streets	—	—	1,345,813	1,345,813
Capital improvements	—	—	330,542	330,542
Other purposes	—	—	461,458	461,458
Tourism & conventions	—	—	86,003	86,003
Total committed	1,587,704	—	3,565,473	5,153,177
Assigned				
Parks and recreation	—	—	12,181	12,181
Streets	—	—	4,281,860	4,281,860
Public safety & emergency programs	—	—	1,942,215	1,942,215
Debt service	—	—	17,626	17,626
Tourism & conventions	—	—	142,001	142,001
Total assigned	—	—	6,395,883	6,395,883
Unassigned	10,982,085	—	2,719,374	13,701,459
Total fund balance	\$ 12,579,889	\$ 67,700	\$ 28,606,527	\$ 41,254,116

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

As of June 30

Last 10 Fiscal Years*

Page 1 of 2

PERS 1	2022	2021
Employer's proportion of the net pension liability (asset)	0.2028%	0.2114%
Employer's proportionate share of the net pension liability (asset)	\$ 5,647,086	\$ 2,581,615
Covered employee payroll	32,382,356	32,154,893
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	17.4%	8.0%
Plan fiduciary net position as a percentage of the total pension liability	76.6%	88.7%
PERS 2/3		
Employer's proportion of the net pension liability (asset)	0.2535%	0.2586%
Employer's proportionate share of the net pension liability (asset)	\$ (9,400,944)	\$ (25,763,211)
Covered employee payroll	31,335,035	31,002,101
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(30.0%)	(83.1%)
Plan fiduciary net position as a percentage of the total pension liability	106.7%	120.3%
PSERS		
Employer's proportion of the net pension liability (asset)	0.1415%	0.1346%
Employer's proportionate share of the net pension liability (asset)	\$ (101,203)	\$ (309,174)
Covered employee payroll	945,513	913,085
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	10.7%	33.9%
Plan fiduciary net position as a percentage of the total pension liability	106.0%	123.7%
LEOFF 1		
Employer's proportion of the net pension liability (asset)	0.2489%	0.2523%
Employer's proportionate share of the net pension liability (asset)	\$ (7,139,375)	\$ (8,642,659)
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	—%	—%
Plan fiduciary net position as a percentage of the total pension liability	169.6%	187.5%
LEOFF 2		
Employer's proportion of the net pension liability (asset)	0.6316%	0.6478%
Employer's proportionate share of the net pension liability (asset)	\$ (17,164,301)	\$ (37,628,068)
State's proportion of the net pension liability (asset) associated with the employer	(11,118,660)	(24,274,211)
Total	<u>\$ (28,282,961)</u>	<u>\$ (61,902,279)</u>
Covered employee payroll	\$ 25,506,773	\$ 25,210,904
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(67.3%)	(149.3%)
Plan fiduciary net position as a percentage of the total pension liability	116.1%	142.0%

Notes to the Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.

The City of Yakima has no current LEOFF I employees.

Significant changes: Discount Rate increased from 2.0% to 3.75%.

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

As of June 30

Last 10 Fiscal Years*

Page 2 of 2

2020	2019	2018	2017	2016	2015
0.2126%	0.2239%	0.2304%	0.2396%	0.2437%	0.2473%
\$ 7,507,587	\$ 8,608,173	\$ 10,291,797	\$ 11,370,630	\$ 13,085,797	\$ 12,938,339
31,609,557	30,981,922	30,238,586	29,549,697	28,675,000	22,406,624
23.8%	28.0%	34.0%	38.5%	46.0%	58.0%
68.6%	67.1%	63.2%	61.2%	59.0%	59.1%
0.2592%	0.2730%	0.2771%	2.8844%	0.2903%	0.2942%
\$ 3,314,662	\$ 2,651,884	\$ 4,731,133	\$ 10,021,946	\$ 14,618,037	\$ 10,512,470
30,344,986	29,750,683	29,077,617	29,284,000	27,400,579	21,024,500
10.9%	8.9%	16.3%	34.2%	53.3%	50.0%
97.2%	97.8%	96.8%	91.0%	85.8%	89.2%
0.1493%	0.1852%	0.2135%	0.2143%	0.2172%	0.2462%
\$ (20,538)	\$ (24,082)	\$ 2,645	\$ 41,981	\$ 92,291	\$ 44,929
919,785	861,074	845,912	765,000	705,303	718,242
2.2%	2.8%	0.3%	5.5%	13.1%	6.3%
101.7%	101.9%	99.8%	96.3%	90.4%	95.1%
0.2593%	0.2608%	0.2633%	0.2625%	0.2642%	0.2686%
\$ (4,896,828)	\$ (5,154,646)	\$ (4,781,106)	\$ (3,982,551)	\$ (27,222,428)	\$ (3,237,356)
—%	—%	—%	—%	—%	—%
146.9%	148.8%	144.4%	136.0%	123.7%	127.4%
0.6455%	0.6823%	0.7097%	0.7399%	0.7434%	0.7426%
\$ (13,167,462)	\$ (15,806,217)	\$ (14,409,269)	\$ (10,267,387)	\$ (4,323,611)	\$ (7,632,597)
(8,419,594)	(10,350,954)	(9,329,730)	(6,660,262)	(741,394)	(719,689)
\$ (21,587,056)	\$ (26,157,171)	\$ (23,738,999)	\$ (16,927,649)	\$ (5,065,005)	\$ (8,352,286)
\$ 24,461,464	\$ 23,998,147	\$ 23,520,795	\$ 23,238,000	\$ 22,519,542	\$ 21,561,911
(53.8%)	(65.9%)	(61.2%)	(44.2%)	(19.2%)	(35.4%)
115.8%	119.4%	118.5%	113.4%	106.0%	111.7%

Benefit changes: None to report.

Valuation assumptions: As of January 1, 2022: Economic assumptions - salary increases 3.5%, investment return assumption (discount rate) 3.75, growth in membership 0.0%, postretirement benefit increases; related to salaries 3.5%; related to consumer price index 2.5%.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the year ended December 31

Last 10 Fiscal Years*

Page 1 of 2

PERS 1	2022	2021
Statutorily or contractually required contributions	\$ 1,250,290	\$ 1,390,651
Contributions in relation to the statutorily or contractually required contributions	(1,250,290)	(1,390,651)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 33,119,925	\$ 32,197,771
Contributions as a percentage of covered employee payroll	3.8%	4.3%
PERS 2/3		
Statutorily or contractually required contributions	\$ 2,041,098	\$ 2,223,260
Contributions in relation to the statutorily or contractually required contributions	(2,041,098)	(2,223,260)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 32,092,726	\$ 31,133,321
Contributions as a percentage of covered employee payroll	6.4%	7.1%
PSERS		
Statutorily or contractually required contributions	\$ 61,000	\$ 64,110
Contributions in relation to the statutorily or contractually required contributions	(61,000)	(64,110)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 933,481	\$ 937,407
Contributions as a percentage of covered employee payroll	6.5%	6.8%
LEOFF 2		
Statutorily or contractually required contributions	\$ 1,312,467	\$ 1,311,683
Contributions in relation to the statutorily or contractually required contributions	(1,312,467)	(1,311,683)
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 25,623,241	\$ 25,541,326
Contributions as a percentage of covered employee payroll	5.1%	5.1%

Notes to the Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.

The City of Yakima has no current LEOFF I employees.

Significant changes: Discount Rate Discount Rate increased from 2.0% to 3.75%.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the year ended December 31

Last 10 Fiscal Years*

Page 2 of 2

2020	2019	2018	2017	2016	2015
\$ 1,553,225	\$ 1,588,430	\$ 1,570,927	\$ 1,489,000	\$ 1,432,792	\$ 1,263,237
(1,553,225)	(1,588,430)	(1,570,927)	(1,489,000)	(1,432,792)	(1,263,237)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 31,835,568	\$ 31,546,711	\$ 30,471,519	\$ 29,079,000	\$ 29,271,148	\$ 28,060,087
4.9%	5.0%	5.2%	5.1%	4.9%	4.5%
\$ 2,422,004	\$ 2,337,893	\$ 2,194,199	\$ 1,930,423	\$ 1,740,727	\$ 1,510,959
(2,422,004)	(2,337,893)	(2,194,199)	(1,930,423)	(1,740,727)	(1,510,959)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 30,580,945	\$ 30,285,570	\$ 29,256,142	\$ 28,706,000	\$ 27,400,579	\$ 26,793,741
7.9%	7.7%	7.5%	6.7%	6.4%	5.6%
\$ 66,594	\$ 63,637	\$ 57,599	\$ 52,963	\$ 48,978	\$ 46,106
(66,594)	(63,637)	(57,599)	(52,963)	(48,978)	(46,106)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 924,911	\$ 891,749	\$ 840,693	\$ 800,000	\$ 705,303	\$ 712,214
7.2%	7.1%	6.6%	6.6%	6.9%	6.5%
\$ 1,257,023	\$ 1,290,668	\$ 1,233,450	\$ 1,198,134	\$ 1,152,459	\$ 1,120,514
(1,257,023)	(1,290,668)	(1,233,450)	(1,198,134)	(1,152,459)	(1,120,514)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 24,407,692	\$ 24,804,414	\$ 23,473,737	\$ 23,417,000	\$ 22,519,542	\$ 22,188,444
5.2%	5.2%	5.3%	5.1%	5.1%	5.0%

Benefit changes: None to report.

Valuation assumptions: As of January 1, 2022: Economic assumptions - salary increases 3.5%, investment return assumption (discount rate) 3.75, growth in membership 0.0%, postretirement benefit increases; related to salaries 3.5%; related to consumer price index 2.5%.

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS

FIRE & POLICE PENSIONS

For the year ended December 31

Last 10 Fiscal Years*

Page 1 of 1

	2022	2021	2020	2019	2018	2017
Fire Pension						
Balances at 12/31/2021	\$ 6,185,676	\$ 6,617,462	\$ 6,236,408	\$ 6,029,283	\$ 6,635,284	\$ 6,902,294
Changes for the year:						
Interest on total pension liability	118,726	126,790	163,713	229,640	221,918	247,672
Effect of economic/ demographic gains or losses	(140,823)	—	401,168	—	—	(43,347)
Effect of assumptions changes or inputs	(385,852)	—	386,453	559,744	(233,241)	129,589
Benefit payments	(501,226)	(558,576)	(570,280)	(582,259)	(594,678)	(600,924)
Net changes in total pension liability	(909,175)	(431,786)	381,054	207,125	(606,001)	(267,010)
Balance at 12/31/2022	<u>\$ 5,276,501</u>	<u>\$ 6,185,676</u>	<u>\$ 6,617,462</u>	<u>\$ 6,236,408</u>	<u>\$ 6,029,283</u>	<u>\$ 6,635,284</u>
Covered payroll	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Police Pension						
Balances at 12/31/2021	\$ 3,492,482	\$ 3,715,125	\$ 4,451,427	\$ 4,269,513	\$ 4,664,239	\$ 5,381,844
Changes for the year:						
Interest on total pension liability	66,560	71,377	118,369	163,222	156,580	194,378
Effect of economic/ demographic gains or losses	(205,121)	—	(769,827)	—	—	(604,017)
Effect of assumptions changes or inputs	(312,174)	—	211,346	400,381	(166,958)	92,572
Benefit payments	(294,536)	(294,020)	(296,190)	(381,689)	(384,348)	(400,538)
Net changes in total pension liability	(745,271)	(222,643)	(736,302)	181,914	(394,726)	(717,605)
Balance at 12/31/2022	<u>\$ 2,747,211</u>	<u>\$ 3,492,482</u>	<u>\$ 3,715,125</u>	<u>\$ 4,451,427</u>	<u>\$ 4,269,513</u>	<u>\$ 4,664,239</u>
Covered payroll	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Notes to the Schedule

Due to the implementation of GASB 73, the City is now required to report the pension liability of this single employee non-trust pension plan. The City recognizes its total pension liability, rather than a net pension liability. In order for the City to recognize a net pension liability, assets must be accumulated in a trust that meets all of the following criteria from paragraph 4 of GASB 68:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

No assets are accumulated in a trust that meets all of the above criteria because the City's contributions are not irrevocable. Accordingly, the City's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the City must report its total pension liability.

Until a full 10-year trend is compiled, only information for those years available is presented.

Economic assumptions: Salary increases 3.5%, investment return assumption (discount rate) 3.75%, growth in membership 0.0%.

Family composition: All active members are assumed to be married with no children when they retire. Marital status of retirees was supplied by the City. Wives are assumed to be three years younger than their husbands. Surviving spouses are assumed not to remarry.

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

For the year ended December 31

Last 10 Fiscal Years*

Page 1 of 1

	2022	2021	2020	2019	2018
LEOFF 1 Fire					
Total OPEB liability - Beginning	\$ 23,813,442	\$ 24,147,639	\$ 25,326,993	\$ 21,471,567	\$ 22,910,332
Interest on total OPEB liability	468,316	474,902	686,436	842,411	789,207
Effect of economic/demographic gains or losses	582,178	—	(863,583)	—	—
Effect of assumptions, changes or inputs	(5,032,894)	—	(265,860)	3,843,768	(1,498,572)
Expected benefit payments	(799,278)	(809,099)	(736,347)	(830,753)	(729,400)
Net change in total OPEB liability	(4,781,678)	(334,197)	(1,179,354)	3,855,426	(1,438,765)
Total OPEB liability - ending	<u>\$ 19,031,764</u>	<u>\$ 23,813,442</u>	<u>\$ 24,147,639</u>	<u>\$ 25,326,993</u>	<u>\$ 21,471,567</u>
Covered payroll	\$ —	\$ —	\$ —	\$ —	\$ —
Total OPEB liability as a % of covered payroll	n/a	n/a	n/a	n/a	n/a
LEOFF 1 Police					
Total OPEB liability - Beginning	\$ 22,500,246	\$ 22,771,904	\$ 24,999,972	\$ 21,153,082	\$ 22,457,760
Interest on total OPEB liability	443,518	448,274	678,519	831,587	775,314
Effect of economic/demographic gains or losses	(1,276,779)	—	(1,753,899)	—	—
Effect of assumptions, changes or inputs	(3,903,426)	—	(495,138)	3,749,293	(1,462,797)
Expected benefit payments	(651,920)	(719,932)	(657,550)	(733,990)	(617,195)
Net change in total OPEB liability	(5,388,607)	(271,658)	(2,228,068)	3,846,890	(1,304,678)
Total OPEB liability - ending	<u>\$ 17,111,639</u>	<u>\$ 22,500,246</u>	<u>\$ 22,771,904</u>	<u>\$ 24,999,972</u>	<u>\$ 21,153,082</u>
Covered payroll	\$ —	\$ —	\$ —	\$ —	\$ —
Total OPEB liability as a % of covered payroll	n/a	n/a	n/a	n/a	n/a
Non-LEOFF					
Total OPEB liability - Beginning	\$ 6,425,956	\$ 6,186,687	\$ 8,079,332	\$ 8,316,041	\$ 8,189,958
Service cost	460,129	444,569	378,171	533,439	563,641
Interest on total OPEB liability	134,073	129,295	227,730	345,146	299,553
Effect of economic/demographic gains or losses	232,008	—	(2,405,142)	—	—
Effect of assumptions, changes or inputs	(903,271)	—	261,882	(669,196)	(343,848)
Expected benefit payments	(366,703)	(334,595)	(355,286)	(446,098)	(393,263)
Net change in total OPEB liability	(443,764)	239,269	(1,892,645)	(236,709)	126,083
Total OPEB liability - ending	<u>\$ 5,982,192</u>	<u>\$ 6,425,956</u>	<u>\$ 6,186,687</u>	<u>\$ 8,079,332</u>	<u>\$ 8,316,041</u>
Covered payroll	\$ —	\$ —	\$ —	\$ —	\$ —
Total OPEB liability as a % of covered payroll	n/a	n/a	n/a	n/a	n/a

Notes to the Schedule

Due to the implementation of GASB 75, the City is now required to report the OPEB liability of this single employee non-trust pension plan. The City recognizes its total OPEB liability, rather than a net OPEB liability. In order for the City to recognize a net OPEB liability, assets must be accumulated in a trust that meets all of the following criteria from paragraph 4 of GASB 75:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

No assets are accumulated in a trust that meets all of the above criteria because the City's contributions are not irrevocable. Accordingly, the City's total OPEB liability is not reduced by any assets accumulated in a trust that meets the criteria and the City must report its total OPEB liability.

Until a full 10-year trend is compiled, only information for those years available is presented.

City of Yakima
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA Office of Superintendent Pub Inst.)	Child and Adult Care Food Program	10.558	39141326	5,613	-	5,613	-	7
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	299,547	299,547	75,000	6
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	610,207	610,207	27,591	6
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	91,551	91,551	-	-
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	-	-	64,649	64,649	21,336	6
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Dept. of Commerce)	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	20-6221C-173	47,990	-	47,990	47,990	-
Total CDBG - Entitlement Grants Cluster:				47,990	1,065,954	1,113,944	171,917	

The accompanying notes are an integral part of this schedule.

City of Yakima
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239		-	363,461	363,461	238,460	6
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239		-	149,040	149,040	149,040	
Total ALN 14.239:				-	512,501	512,501	387,500	
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	Fish and Wildlife Coordination Act	15.517		-	490,000	490,000	-	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via WA Dept. of Archaeology & Historic Pres.)	Historic Preservation Fund Grants-In-Aid	15.904	FY22-CLG- YAKIMA 2021- 158	7,893	-	7,893	-	
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034		-	90,993	90,993	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Community-Based Violence Prevention Program	16.123		-	76,287	76,287	76,287	6
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607		-	12,842	12,842	-	

The accompanying notes are an integral part of this schedule.

City of Yakima
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	31,025	31,025	10,159	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	31,300	31,300	10,409	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Dept. of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F-19-31440-004 WAY	310,209	-	310,209	310,209	6
Total ALN 16.738:				310,209	62,325	372,534	330,776	
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922		-	12,715	12,715	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	1,725,192	1,725,192	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	158,026	158,026	-	
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		-	1,706	1,706	-	

The accompanying notes are an integral part of this schedule.

City of Yakima
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	44,699	44,699	-	
	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	101,814	101,814	-	
	COVID 19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	-	-	752,014	752,014	-	
Total ALN 20.106:			-	-	2,783,451	2,783,451	-	
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via DOT)	Highway Planning and Construction	20.205	STPUS-4566 (007)-AT2143	178,661	-	178,661	-	
	Highway Planning and Construction	20.205	HSIP-000s(473) -AT2447	82,762	-	82,762	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via DOT)	Highway Planning and Construction	20.205	NHS 4596(007)	2,346,769	-	2,346,769	-	
	Highway Planning and Construction	20.205						

The accompanying notes are an integral part of this schedule.

City of Yakima
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via DOT)	Highway Planning and Construction	20.205	CM-1485(026)- AT2530	39,960	-	39,960	-	
Total Highway Planning and Construction Cluster:				2,648,152	-	2,648,152	-	
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507		-	2,854,903	2,854,903	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507		-	761,114	761,114	-	
Total ALN 20.507:				-	3,616,017	3,616,017	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via DOT)	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	WA-2021-127- 00 Section 5339 Formula - Replacement Engine, Heaters, Solar Panels	55,749	-	55,749	-	
Total Federal Transit Cluster:				55,749	3,616,017	3,671,766	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Formula Grants for Rural Areas and Tribal Transit Program	20.509		-	222,166	222,166	-	

The accompanying notes are an integral part of this schedule.

City of Yakima
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614	Traffic Safety Commission	1,684	-	1,684	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	1,666,342	1,666,342	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept. of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-96720-207	335,161	-	335,161	335,161	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Dept. of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-56104-035	504,227	-	504,227	-	
Total ALN 21.027:				839,388	1,666,342	2,505,730	335,161	
Total Federal Awards Expended:				3,916,678	10,611,593	14,528,271	1,301,642	

The accompanying notes are an integral part of this schedule.

City of Yakima

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the City of Yakima's financial statements. The City of Yakima uses the modified accrual system for all governmental funds: full accrual for proprietary, nonexpendable, and pension trust funds.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Yakima's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Revolving Loan – Program Income

The City of Yakima has a revolving loan program for low income housing renovation. Under this federal program, 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 - Section 108

In 2003, the City of Yakima was authorized to administer a Section 108 Loan program. There were no new loans in 2022.

Note 5 – Indirect Cost Rate

The City of Yakima has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 6 - Amount paid to Sub-Recipients

The City of Yakima paid the following amounts to sub-recipients:

CDBG 14.218	\$ 102,591 - OIC of WA/HBCC (EN PY \$27591 & CY 75,000)
CDBG CV 14.218	\$ 21,336 - Meals on Wheels (EN PY)
CDBG/DOC 14.228	\$ 47,990.41 (PFP Meals on Wheels)
HOME 14.239	\$ 87,500 - Habitat for Humanity (EN PY) \$ 300,000 - YHA (PI \$177,981 & EN PY122,019)

ARPA 21.027	\$ 335,161	- Genesis Housing (CY)
Dept. of Justice 16.738	\$20,567.28	- Yakima Sheriff Office (PY)
(DOC) 16.738	\$310,209.21	- DRC
Dept. of Justice 16.123	\$76,287	- ESD \$57,530.92 & Olphen \$18,756.36

Note 7- Prior Year Adjustment

10.558 Food Nutrition Service- Child and Adult Care Food Program there was revenue that came in 2023 for 2022 expense of \$648. They were accounted for in this years SEFA.

20.507 FTA-Covid-19 There were expenses accounted for on SEFA for 2021 for \$23967.44 that needed to be removed from SEFA total. So, I am just making the note of the change.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Yakima
January 1, 2022 through December 31, 2022

This schedule presents the corrective action planned by the City for findings reported in this report 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).

Finding ref number: 2022-001	Finding caption: The City's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment.
Name, address, and telephone of City contact person: Maria Simons - (509) 576-6638 129 N 2 nd Street Yakima, WA 98901	
Corrective action the auditee plans to take in response to the finding: The City's Corrective Action implemented as a result <u><i>Audit Report Reference #1031349; Finding 2021-003</i></u> did not adequately address actions to ensure procurements were screened in accordance with the requirements set forth above. Corrective Action Plan <ol style="list-style-type: none"> 1. <i>Conducted meeting on 9/19/23 with purchasing staff to review audit finding 2022-001 finding, actions as a result of the previous finding (2021-003) and identify root cause(s) and potential solutions.</i> 2. <i>Near Term CA:</i> <ol style="list-style-type: none"> a. <i>Create a pre-bid checklist for City staff to use to vet potential sources of supply</i> b. <i>Document a written procedure for federally funded procurements including checklist(s), bid forms, and contract language</i> 3. <i>Long Term CA: Update Cayenta system to require requestor indicate on purchase requisition if proposed purchase is federally funded.</i> 	

Anticipated date to complete the corrective action:

1. *Complete 9/19/2023*
2. *2a – Form complete 9/19/2023; Memo to all Cayenta buyers, requisitioners and approvers by 10/13/23*
2b – Document procedure by 12/1/23
3. *Submit change request by 12/05/23 to the City's IT Department to update required functionality in next available Cayenta block-point update.*

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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